S. Hrg. 100-320

WELFARE: REFORM OR REPLACEMENT?
(Work and Welfare)

HEARING

BEFORE THE

SUBCOMMITTEE ON
SOCIAL SECURITY AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

FEBRUARY 23, 1987

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE
78-474 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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WELFARE: REFORM OR REPLACEMENT? (WORK AND WELFARE)

MONDAY, FEBRUARY 23, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY,
Washington, DC.

The subcommittee met, pursuant to recess, at 9:35 a.m. in room SD-215, Dirksen Senate Office Building, the Honorable Daniel Patrick Moynihan (chairman) presiding.

Present: Senators Moynihan, Bradley, Rockefeller, and Danforth.

Also present: Senators Kennedy, Adams, and Evans.

[The press release announcing the hearing, the prepared statement of Senator Moynihan and staff data and materials prepared by the Committee on Finance follow:]

[Press Release No. H-16]

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY ANNOUNCES THREE FURTHER HEARINGS ON "WELFARE: REFORM OR REPLACEMENT?"

WASHINGTON, DC.—Senator Daniel Patrick Moynihan (D., N.Y.), Chairman, announced today that the Subcommittee on Social Security and Family Policy of the Senate Finance Committee will continue with its series of five hearings on "Welfare: Reform or Replacement?" The three upcoming hearings will focus on the following aspects of the welfare system: February 20—Child Support Enforcement; February 23—Work and Welfare; and March 2—Short-term vs. Long-term Dependency.

Senator Moynihan stated that the Subcommittee expects to receive testimony at these hearings from expert witnesses as well as from individuals and groups with an interest in the welfare of children and families.

The Chairman said he anticipates that the witnesses will address such issues as: the basic principles that should guide legislative action on behalf of dependent children and their families; how parental responsibility for the care of children can be better enforced; how poor parents can be helped to increase their incomes through work; how government policy can effectively distinguished between households likely to be dependent for short and long periods of time; what role various levels of government ought to play; and how programmatic recommendations can be implemented in a period of fiscal restraint.

These hearings will begin at 9:30 A.M. on the dates shown above, in Room SD-215 Dirksen Senate Office Building.

MAKING WELFARE WORK

Statement by
Senator Daniel Patrick Moynihan
Chairman

Senate Committee on Finance
Subcommittee on Social Security and Family Policy
Hearing IV: "Welfare: Reform or Replacement?"
Dirksen Senate Office Building
Monday, February 23, 1987

It is no secret that the surest way out of poverty is to find and keep a good job. We in the Congress know it. The Administration knows it. State and local officials know it. Just the other day, Governor Bill Clinton, Chairman of the National Governors Association, put it very well:

> What we want to do is turn what is now primarily a payments system with a minor work component into a system that is first and foremost a jobs program, supported by an income assistance component. Our proposal focuses on education, training and employment for the families now dependent on the welfare system, along with a decent living standard with which these families can support their children while they strive for self-sufficiency.

The first thing we should do is help poor parents who are not now employed to find jobs. In doing so, we must remain mindful that, in 1986, the poverty line for a mother and one child was $7,370, for a mother with two children, $8,738. If a mother worked full-time, year round at the minimum wage of $3.35 per hour, she'd earn only $6,968. The Joint Economic Committee reports that 58% of net new employment created between 1979 and 1984 paid annual wages of less than $7,000.

To address this situation, we ought to do two additional things: We must help single mothers obtain child support payments due them from absent fathers and, if these child support payments plus earned income still prove inadequate in meeting the needs of dependent children, we must supplement the family's income.

Recurring Themes

In our hearings to date, three themes recur: First, the primary responsibility for child support rests with parents. In single-parent families, the absent parents -- fathers 90% of the time -- must contribute toward their children's support.

Second, there is agreement that whether children live with both parents, or just one, able-bodied parents have a responsibility to support their children by working. Toward this end, we ought to remove the barriers to employment for low-income parents. A poor single mother cannot work if she cannot afford child care or if she loses health care for her family when she accepts a job. A poor father is unlikely to work longer hours if he loses income and health care for his family when he works one hour over 100 in a month.

We also need to provide state governments with stable, sufficient resources and the flexibility to design and implement programs that will help low-income parents enter the labor force. Many states have already launched promising new programs. State officials tell us they know what needs to be done and they are looking to the federal government for some help in getting on with the task.

Third, if a household's income -- from parental child support payments and earnings -- still proves inadequate, we must provide supplemental income to the family. Such assistance could come in the form of a time-limited child-support supplement or through an earnings subsidy. For example, the present Earned Income Tax Credit (EITC) could be adjusted by household size. A second possibility is to provide a targeted wage subsidy to low-income earners. In either case, the additional income comes through work, not welfare.

Work and Welfare

When the original Aid to Dependent Children (ADC) program was created as Title IV of the Social Security Act in 1935, married women did not work outside of the home. They kept house and looked after the children while their husbands earned the family income. The ADC program provided income assistance to widowed mothers so they could continue to stay home and raise their children.

Times have changed. Women with children have entered the labor force in record numbers. In 1986, 72% of mothers with children aged 6 through 17 were in the labor force, up from 55% in 1975. In 1986, 54% of mothers with children under the age of 6 were in the labor force, up from 39% in 1975. Although most of these mothers do not work full-time, year round, the essential point is that a majority of all mothers, whether single or married, work at least part time. In 1985, only one-third of mothers did not work at all.

It is now the normal experience of mothers to work, at least part time. This accounts for the expectation and the desire that AFDC mothers should do likewise. But for a long while, we could not agree on how to get AFDC mothers into the labor force: One faction pushed "workfare" requirements that were largely punitive. Others sought massive public employment programs. Our recent experience with this approach, the Comprehensive Employment Training Act, proved very expensive and, for the most part, provided employment to very few long-term AFDC recipients. The impasse seemed insurmountable.

The Emerging Consensus

Yet, in the last ten years, liberals and conservatives have found common ground on the issue of work and welfare. Simply put, poor adults who are able should be helped to work.

Conservatives have persuaded liberals that there is nothing wrong with obligating able-bodied adults to work. Liberals have persuaded conservatives that most adults want to work and need some help to do so. The result is a new welfare-to-work program that vigorously encourages or requires poor adults to participate and that provides these adults with skills training, help in finding jobs, and supportive services such as child care.

This meeting of the minds coincided with a period of cooperative federalism. In 1981, the federal government gave states the flexibility to test new work programs under Work Incentive (WIN) demonstration project authority and the results are encouraging. On the whole, welfare recipients participating in these pilot programs have made modest but measurable gains in finding jobs, increasing their income, and shortening their stay on the welfare rolls.

JEDI and WORC

Still, it is important to recognize that there are no magic bullets. Work requirements and work-training programs cannot, by themselves, solve the problem of poverty. This does not mean that such requirements and programs should be abandoned. On the contrary, every effort should be made to help poor parents find work. It is better for everyone involved, not least of all the children, that we keep trying.

Toward this end, I have joined a number of my colleagues in cosponsoring Senator Kennedy's Jobs for Employable Dependent Individuals Act (JEDI). This bill would reward states for successfully finding jobs for long-term AFDC recipients.

In addition, I will soon reintroduce, with my friend in the House, Representative Sander Levin, legislation entitled the Work Opportunities and Retraining Compact (WORC). The WORC bill would require states to establish work, training, and education programs for AFDC recipients. The purpose of the bill is plain: to help low-income parents move successfully from welfare rolls to payrolls.

WORC's requirements cut both ways. Certain able-bodied recipients would be obligated to participate in the program. In turn, states would be required to provide work, training and education programs of their own design, along with necessary support services, such as child-care and transportation.

The federal government would match the states' work and training expenses at the rate of 70% on an open-ended basis. This should provide states with the stable funding source they need, as well as allow them the flexibility they desire in structuring programs to respond to local circumstances.

Work and Child Support

Major elements of the WORC bill will mesh neatly with the new child support program I've been talking about.

In single-parent families, the absent fathers would be required to share a portion of their incomes with their children. More uniform and equitable standards of child support, together with mandatory and automatic wage-withholding should help to increase child support collections and send a clear message to men: If you father a child, you will be responsible for helping to support that child until he or she reaches age 18.

Custodial parents, usually mothers, would be expected to work, at least part time, to help support their children. The WORC bill, or something akin to it, would provide the resources and general framework states need to help these low-income mothers train for, find, and keep jobs.

Improving child support enforcement efforts will raise the income available to children without increasing welfare payments. Helping poor unemployed parents to take jobs and supplementing low wages -- by adjusting the EITC for household size or by providing a wage subsidy -- will increase family income by rewarding work, rather than by providing welfare.

There is widespread agreement that these are worthwhile objectives. There is also strong bipartisan consensus that investing in basic educational and work-training skills now will produce a long-term payoff in reduced dependence on welfare, greater labor force productivity, and increased tax revenues.

In this 100th Congress, we have a rare opportunity to act. Let us seize the moment; we have neither time nor children to waste.

STAFF DATA AND MATERIALS

ON

EMPLOYMENT AND TRAINING PROGRAMS FOR AFDC RECIPIENTS

(prepared by the staff of the Committee on Finance)

February 20, 1987

A. EMPLOYMENT AND TRAINING PROGRAMS FOR AFDC RECIPIENTS

Introduction

Providing employment, education and training services for recipients of Aid to Families with Dependent Children (AFDC) has long been a major concern of the Committee on Finance. In 1956 the Committee approved amendments to the Social Security Act that authorized Federal matching for these kinds of activities. In 1967 the Committee developed amendments that established the basic structure of the Work Incentive (WIN) program. Amendments to strengthen the WIN program were initiated by the Committee in 1971. Also in 1971, the Committee initiated legislation to provide a tax credit for employers who hired WIN participants.

In 1981, when the Administration proposed the community work experience program (CWEP), popularly known as "workfare", the Committee approved that proposal and also initiated legislation to create two alternative programs: WIN demonstrations and work supplementation. Thus, the structure that is now in place to assist AFDC applicants and recipients in preparing for and finding employment has been very largely the work of this Committee.

Not all of the work and training proposals that have been developed by the Committee have been enacted into law. In particular, the Committee approved a major restructuring of welfare programs in 1972 that would have placed all adult welfare recipients (excluding mothers with children under age 6 and some other individuals) in a work and training program that emphasized job placement and training for those relatively "job ready", and a job guarantee program for those who could not be placed in unsubsidized employment. Persons in these programs would not have been eligible for welfare payments.

Currently, the Social Security Act gives States broad latitude in operating work and training programs for welfare recipients. The statute requires that the WIN program be operated in all States, but it allows States to choose to operate a WIN demonstration program as an alternative to the regular WIN program. The major difference between WIN and WIN demonstration programs lies in who has responsibility for operating the program. The regular WIN program is administered jointly by the Department of Labor and the Department of Health and Human Services at the Federal level, and jointly by welfare agencies and employment services at the State level. WIN demonstration programs, on the other hand, are under the Department of Health and Human Services at the Federal level, and the welfare agency at the State level. An additional important difference between WIN and WIN demonstration programs is that, under the latter, States are completely free to design their own programs.

The other programs that States may elect to operate--CWEP, work supplementation and welfare agency job search--are all under the direction of the State welfare agency. Thus, current law gives the State welfare agencies the opportunity to take over full responsibility for their work and training programs, and to offer a wide variety of activities of their own choosing.

Perhaps the major concern of many States at this time is not any limitation on their authority, but on their funding. Certain program activities (CWEP, work supplementation and job search) are generally eligible to receive 50 percent Federal funding on an open-ended entitlement basis as part of the State's AFDC administrative expenses. However, none of the 50 percent matching money may be used for institutional-type education and training activities. States that wish to provide these kinds of activities must use WIN funds, but funding for WIN has recently been cut back severely. (Institutional training may be available to AFDC recipients under the Job Training Partnership Act, but this program is operated under the aegis of the Department of Labor and, at the State level, by an administrative structure separate from the welfare agency.)

The employment and training activities that are currently authorized under title IV (the AFDC title) of the Social Security Act are described in more detail below:*

Work Incentive Program

When the Finance Committee approved legislation to create the WIN program, it anticipated that the program would serve very large numbers of AFDC recipients. The Committee commented in its report that "... it is anticipated that virtually all individuals who are referred to the Secretary of Labor by the welfare agencies will participate in the program." The Committee's expectations were never realized, because appropriations for the program remained very much smaller than was originally estimated.

* See Tables 1, 2 and 3 for information on State participation in the work and training programs authorized under title IV.

From 1968 until recently, however, the WIN program has served as the major program providing welfare recipients with employment-related services. The WIN legislation authorizes a very broad range of activities, including job placement, intensive job search services, on-the-job training, institutional and work experience training, and public service employment. Supportive services, including child care and transportation services, counseling and others, are also authorized under the legislation.

The legislation that authorizes WIN also provides the only Federal work requirement applicable to AFDC applicants and recipients. All applicants and recipients must register for and participate in WIN activities to which they are assigned except: (1) a child under age 16 or a full-time student; (2) persons who are ill, incapacitated or of advanced age; (3) a person remote from a WIN site; (4) a person needed in the home to care for another member of the household who is ill or incapacitated; (5) the parent or relative of a child under age 6 who is providing care for the child except for brief and infrequent absences; (6) a person working at least 30 hours a week; (7) a pregnant woman; and (8) a parent if the other parent is required to register.

The law prescribes penalties for persons who refuse to participate in WIN without good cause. In the case of a single-parent family, the penalty is loss of benefits payable on behalf of the individual who refuses to comply. In this case, protective payments must be made on behalf of the other family members. If the principal earner in a two-parent family eligible on the basis of the parent's unemployment refuses to comply, the penalty is loss of benefits to the entire family. The period for loss of benefits is three months for the first refusal to comply and six months for the second and any subsequent refusals.

The WIN statute establishes priorities that States are supposed to follow in assigning individuals to WIN activities: (1) unemployed fathers, (2) mothers who volunteer for participation, (3) other mothers, and pregnant women under age 19, (4) dependent children and relatives age 16 or over who are not in school, working or in training, and (5) all other persons.

WIN is administered jointly at the Federal level by the Department of Labor and the Department of Health and Human Services. At the State and local level, it is administered jointly by the welfare (or social services) agency and the employment service.

The welfare and employment agency personnel who administer the program are required to be co-located to the extent possible. Together, they are required to conduct an appraisal interview with each WIN registrant, and to develop an employability plan that includes both an employment component and a supportive services component. There must be a certification that the individual has been (or will be) provided with any necessary supportive services, including day care, before the individual can be certified for placement in a WIN component.

The Federal Government pays 90 percent matching for the costs of the WIN program. States must pay 10 percent of the costs, either in cash or in kind.

Half of WIN funds are allocated to the States on the basis of the number of WIN registrants in the State; the other half are allocated by the Secretary of Labor as he determines will best meet the purposes of the program.

Appropriations for the WIN program have always been below the levels estimated when the legislation was passed, and recently the program has experienced severe cuts. Appropriations for WIN since fiscal year 1980 have been as follows: 1980 - $365 million, 1981 - $365 million, 1982 - $281 million, 1983 - $271 million, 1984 - $267 million, 1985 - $264 million, 1986 - $211 million, and 1987 - $103 million. The appropriation for 1987 has been designated for use in the first nine months of the fiscal year. Table 4 shows WIN State allocations for fiscal years 1986 and 1987.

Enactment of the Community Work Experience Program (CWEP)

The Reagan Administration proposed legislation to create the Community Work Experience Program (CWEP) as part of its 1981 budget proposals. The Committee on Finance approved the CWEP proposal, with one major change. The Committee decided to make CWEP an optional, rather than a mandatory, program for the States. CWEP, as approved by the Committee, became law in 1981.

The concept behind the CWEP program is that recipients should be required to work in exchange for their welfare benefits. The program was widely described at the time of enactment as an expansion to the Federal level of a demonstration program undertaken as part of California's welfare reform program when Ronald Reagan was Governor of that State. Actually, it differed only in detail from the community work and training programs that States were authorized to operate under the AFDC law during much of the 1960s.

The stated purpose of the State CWEP programs is "to provide experience and training for individuals not otherwise able to obtain employment in order to assist them to move into regular employment." The statute limits programs to those which serve a useful public purpose in fields such as health, social services, environmental protection, education, urban and rural development, welfare, recreation, public facilities, public safety, and day care. The law also states that, to the extent possible, the prior training, experience and skills of a recipient are to be used in making work experience assignments.

The legislation requires State welfare agencies to provide certain protections: (1) appropriate health and safety standards; (2) that the program does not result in displacement of persons currently employed, or the filling of established unfilled vacancies; (3) reasonable conditions of work, taking into account the geographic region, residence and proficiency of the participant; (4) that participants will not be required to travel an unreasonable distance from their homes; (5) a limitation on the hours of work required which is consistent with the greater of the Federal or applicable State minimum wage in relation to the family's AFDC benefit; and (6) payment for transportation and other costs, not in excess of an amount established by the Secretary, which are reasonably necessary and directly related to an individual's participation in the program.

The Finance Committee noted in its report: "Because participants would not be required to work in excess of the number of hours which, when multiplied by the greater of the Federal or the applicable State minimum wage, equals the sum of the amount of aid payable to the family, individuals participating in these programs would have time to seek regular employment." The Committee further emphasized placement in regular employment by adding language which had not been included in the Administration's proposal, requiring the chief executive officer (Governor) of each State to provide coordination between CWEP and the WIN program "to insure that job placement will have priority over participation in the community work experience program."

The 1981 law provides that all persons required to register under WIN may be required to participate in a community work experience program unless they are currently employed for 80 or more hours a month with earnings not less than the applicable minimum wage for such employment. In addition, mothers caring for a child under 6 but not under 3 may, at the discretion of the State agency, be required to participate in CWEP if child care is available. (Mothers caring for a child under 6 are not required to register for WIN.) Persons who are so remote from a WIN project that their participation in that program is precluded may also be required to participate in CWEP.

The CWEP sanctions are the same as those under the WIN program. If an individual who is required to participate refuses to do so without good cause, he is removed from the grant and the family's benefit is reduced. However, in the case of a two-parent family which is eligible on the basis of the unemployment of the principal earner, the entire family is removed from the

AFDC rolls. In the case of a first refusal, the sanction period is three months. In the case of second or subsequent refusals, the sanction period is six months.

State expenditures for administering CWEP are matchable at the 50 percent rate that applies to AFDC administrative costs generally. However, matchable expenditures may not include the cost of making or acquiring materials or equipment, or the cost of supervision of work. Participants in a CWEP program may not be required to use their assistance or their income or resources to pay for necessary participation costs, such as day care or transportation. If a State is unable to provide necessary services directly to a participant or through a third party, the State must provide reimbursement for necessary transportation and day care costs that are incurred by the recipient and directly related to participation (within limitations).

Finance Committee Approval of Alternative Programs

The Congress went considerably beyond the Administration's 1981 request for new work program legislation by approving additional alternative employment programs for AFDC recipients. As part of its package of 1981 Reconciliation Act proposals, the Finance Committee included not only the optional CWEP program but, in addition, a proposal for a WIN demonstration program, and for a program aimed at making "employment a more attractive alternative to welfare dependency," which the Committee called "work supplementation". These two additional alternatives were supported by the Administration, and were also approved by the House as part of the Gramm-Latta substitute.

The Finance Committee, in language written for the report on the new alternative programs, emphasized the statutory objective of the AFDC program of helping "parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection." "This objective", the Committee stated, "reflects the consensus of American society that dependency on welfare is an undesirable situation both from the point of view of society and from the point of view of the individual recipient. In some cases, certainly, it may be an unavoidable situation; and the existence of the welfare program reflects that reality. But even in such cases, the goal should be to minimize insofar as possible the extent and duration of dependency."

While urging adoption of the new alternative programs, the Committee also expressed its support of the existing WIN program:

> The WIN program, as substantially revised in 1971 and in 1980 by amendments proposed by this

> Committee, remains the only part of the Federal AFDC statute which is aimed specifically at the goal of achieving independence from welfare through employment. This program has enjoyed some success in helping those it has served to attain employment. However, the available resources for the WIN program have limited the proportion of AFDC recipients it can actively serve. The Committee believes that changes in the law are needed to enable the States to supplement the WIN program with programs of their own to assist and encourage recipients to attain independence. In recommending such changes, however, the Committee is not proposing to repeal the WIN program nor recommending any diminution in the resources devoted to it.

WIN Demonstration Programs

The WIN demonstration authority adopted by the Committee was taken from a bill (S. 986) first introduced by Senators David Boren (D., Okla.) and Daniel Patrick Moynihan (D., N.Y.). In discussing the bill in a Senate floor statement, Senator Boren criticized the WIN program as having "two serious flaws". These he identified as "dual administration (HHS and DOL) and inflexibility within the system--which result in a lack of agency accountability, cumbersome administrative rules and regulations, high cost and poor performance."

The Senator commented further:

> Many States have indicated they could run more efficient programs than currently exist. This bill provides us an opportunity to utilize State and local units of government which are the most responsible, best equipped and most competent levels of government to develop and administer programs to meet the needs of families with children.

The legislation authorizes the States, as an alternative to the existing work incentive program, to operate a work incentive demonstration program "for the purpose of demonstrating single agency administration of the work-related objectives" of the AFDC program. The law requires the Governor of the State to submit to the Secretary of HHS a letter of application providing evidence of intent, along with an accompanying State program plan specifying (1) that the operating agency would be the State welfare agency, (2) that required participation criteria would be the same (Statewide) as are applied under the WIN program, and (3) the objectives which the State expected to meet, with emphasis on how the State expected to maximize client placement in nonsubsidized private sector employment. In addition, the plan must describe the techniques to be used to achieve the objectives of the demonstration program, including (but not limited to) maximum periods of participation, job training, job find clubs, grant diversion to either public or private sector employers, services contracts with State employment services, prime sponsors or private placement agencies, and performance-based placement incentives.

The WIN demonstration legislation provides specifically that "a State shall be free to design a program which best addresses its individual needs, makes best use of its available resources and recognizes its labor market conditions." The Secretary of HHS may disapprove an application only if he determines that the State program plan would be less effective than the regular WIN requirements. In addition, the Secretary has responsibility for evaluating the demonstration programs. According to the Committee report, "the Committee believes that the results of the evaluations would provide insight into ways to improve the administrative mechanism of programs which are designed to provide employment for welfare recipients."

WIN demonstration programs were originally authorized to operate for no more than three years. The legislation has been amended, however, to allow States to operate programs through June 30, 1988. Currently 26 States are operating WIN demonstration programs. (See Tables 1, 2 and 4.)

Work Supplementation

The third alternative approved by the Committee and ultimately by the Congress was called "work supplementation". As mentioned earlier, the work supplementation program was "designed to make employment a more attractive alternative to welfare dependency." The basic concept of the program was described in the report as allowing States to "utilize part of the funding now devoted to welfare grants to provide or subsidize employment opportunities which would be available on an entirely voluntary basis for individuals who would otherwise be dependent upon AFDC."

To generate funding for the subsidized jobs, the Committee amendment authorized States to lower all AFDC grant levels, or lower them selectively for certain geographic areas or for certain categories of recipients whom they determine to be most employable. The funding saved by lowering the grant levels may be used to make jobs available for the recipients affected.

The work supplementation legislation gives States complete flexibility in determining who may be included in the program, provided individuals meet the State's May, 1981 AFDC eligibility requirements (or those requirements as modified under subsequent Federal legislation).

Originally, the legislation defined a supplemented job as one provided by: the State or local agency administering the program; a public or nonprofit entity for which all or part of the wages are paid by the administering agency; or a proprietary child care provider for which all or part of the wages are paid by the administering agency.

Emphasizing the intent "to make work more attractive than welfare", the Committee report noted that the legislation "would provide a significantly different approach to work incentives as compared with the existing AFDC system. States would be specifically authorized", the report continues, "to lower AFDC standards so as to increase the attractiveness of employment as compared with welfare dependency, and could make any necessary further adjustments to correct for offsetting increases which might occur in other needs-based programs, such as the food stamp program. . . Inasmuch as the program is designed to provide work incentives in the form of work as an alternative to welfare, States would also be permitted to reduce or eliminate the amount of earnings disregarded in calculating an AFDC grant. To avoid the disincentive to employment which might result from the loss of Medicaid eligibility, States would be authorized, at their option, to continue that eligibility for individuals who accept employment in jobs subsidized by the work supplementation program."

Legislation enacted in 1984 added greater flexibility to the work supplementation program. The 1984 amendments allowed the use of AFDC benefits to subsidize jobs provided by any private employer, rather than limiting subsidies to public and private nonprofit employers, as was the case under prior law. The amendments also gave the States flexibility in the manner in which they could divert funds to employers by allowing them to develop their own methods--for example, by diverting a grant on an individual case basis, or by pooling the grants of AFDC recipients actually participating in the program. The amendments limited Federal funding for the program to the aggregate of nine months worth of unreduced welfare grants for each participant in the program, or less if the person participated for a shorter time. The new law also allowed States to offer a $30 plus one-third disregard for up to nine months for individuals participating in the program.

Although States were very slow in taking advantage of the work supplementation alternative, there has been increased interest in it in recent years, and the Department of HHS reports that 15 States now operate some version of "work supplementation". Most projects are small in scale. (See Table 3 for information on State programs as of December, 1986.)

Welfare Agency Job Search Programs

In 1982 the Congress approved, in modified form, a proposal by the Administration that authorizes State welfare agencies to operate job search programs for AFDC applicants and recipients. Persons who may be required to participate are the same as those who are required to register for WIN (or who would be required to register except for remoteness from a WIN site). However, States may limit participation to certain groups or classes of individuals, rather than including all persons required to register for WIN. If an individual fails to comply with the employment search requirement without good cause, he is subject to sanctions in the same manner as under the WIN program, although a State may, if it wishes, provide for a shorter sanction period.

The job search amendment allows States to require individuals to participate in an initial job search activity for eight weeks, and in an additional eight-week job search program each year. The amendment requires the Governor of the State to coordinate the job search program with other employment programs for welfare applicants and recipients to assure that priority is given to job placement over participation in another activity.

The 1982 law also: (1) requires States to reimburse individuals for transportation and other costs necessarily incurred as part of the individual's participation in the program; (2) provides 50 percent Federal matching to States for costs of providing transportation and other services to participants; and (3) prohibits States from using the job search requirement as a reason for any delay in making a determination of an individual's AFDC eligibility, or in issuing a payment to an individual who is otherwise eligible.

Twenty-five States are currently operating welfare agency job search programs. A number of them are operating statewide. (See Tables 1 and 2.)

B. Characteristics of AFDC Recipients

The characteristics of AFDC recipients have changed over time. The Congressional Budget Office (CBO) has compiled a table showing certain characteristics for May, 1969 and for 1984, and for selected intervening years. (See Table 5.) This table shows that, in general, AFDC families have become smaller, many of the mothers are younger, and more recipient children are of pre-school age.

Specifically, in 1983, 56 percent of AFDC mothers were under age 30, compared with 41 percent in 1969. In 1984, about 74 percent of AFDC families had either one or two children. In 1969, about 50 percent had either one or two children. In 1984, 44 percent of AFDC cases included only one child, compared to 27 percent of AFDC cases in 1969. In 1984, 43 percent of AFDC children were under age six, compared to 33 percent in 1969.

The table also shows that the basis of eligibility of AFDC children has been changing. In 1984, about 46 percent of children were in families in which there was no marital tie, compared with 28 percent in 1969.

In recent years, considerable research has been done on the dynamics of welfare dependency. Using longitudinal data, an attempt has been made to describe the behavior of welfare recipients over time. An understanding of the characteristics of AFDC recipients, what causes them to become dependent upon welfare, how long they remain dependent, and why they leave the welfare rolls, is of great importance in considering any change in employment-related requirements and services. The question of what we have learned about these subjects will be explored in an upcoming hearing by the Subcommittee on Social Security and Family Policy, "Short-term vs. Long-term Dependency", scheduled for March 2, 1987.

C. Client/Agency Contracts

Recently, interest has been expressed in the idea of using contracts to spell out the mutual obligations of welfare recipients and of welfare agencies. For example, the American Public Welfare Association has recommended in its report "Investing in Poor Families and Their Children: A Matter of Commitment" (November, 1986) that States should be required to use client/agency contracts in administering their welfare programs. APWA recommends that the contract include an employability and financial assistance plan which will commit clients to a range of self-help efforts, and will commit State and local agencies to support those efforts by providing necessary services. Obligations would be spelled out in concrete terms through goals, timelines and benchmarks. The contract would be a "discharge plan" aimed at independence from the system, and would be implemented using a case management system.

The State of California has begun to use client/agency contracts as part of its new employment program for AFDC recipients, called GAIN. Appendix A includes a sample from the series of contracts that the State has developed.

D. Statistics Relating to Working Mothers

The percentage of mothers participating in the labor force has risen rapidly in recent years. In 1975 1/, 55 percent of mothers with children age 6 to 17 were in the labor force. By 1986, 72 percent of such mothers were in the labor force. The percentage of mothers with preschool-age children has shown a similarly rapid increase. In 1975, 39 percent of mothers with a child under 6 were in the labor force. By 1986, 54 percent of such mothers were in the labor force. (See Table 6.)

Bureau of Labor Statistics data show that in March, 1986 most mothers (72 percent) who were employed worked full time 2/. The proportion of employed mothers working full time ranged from 69 percent of those with a child under age 6, to 77 percent of those whose youngest child was 14 to 17.

However, substantially lower percentages of all mothers, as opposed to employed mothers, were employed full time in March, 1986. About 48 percent of all mothers with a child age 6 to 17 worked full time in March, 1986; 33 percent of mothers with a child under 6 worked full time.

The above statistics show the work experience of mothers in one month of the year. It is also useful to look at how many mothers work full time for the full year. 3/ Table 7 shows the work experience of mothers for all of 1985. This table, prepared by the Congressional Budget Office using March, 1986 Current Population Survey data, shows that 19 percent of mothers with a child under 3 worked full time full year in 1985, increasing to 41 percent of mothers whose youngest child was age 12 to 17. An additional 18 percent of mothers with a child under age 3 worked full time part year; 13 percent of mothers whose youngest child was age 12 to 17 worked full time part year. Thirty-two percent of all mothers with a child under age 18 did not work at all.

1/ Data are for March of specified years, except where otherwise noted.

2/ Defined as persons who usually work 35 hours or more per week.

3/ Full year means working at least 50 weeks; part year is less than 50 weeks.

In general, mothers not living with a husband were somewhat more likely to work full time full year than were mothers living with a husband. The exception to this was mothers with a child under age 3. Only 15 percent of mothers not living with a husband who had a child under age 3 worked full time full year in 1985. Twenty percent of mothers living with a husband who had a child under age 3 worked full time full year.

E. Earned Income Tax Credit

The earned income tax credit (EITC) is currently the only refundable tax credit in the Internal Revenue Code. That is, it is the only example of a tax credit that can cause a tax refund to be paid even when an individual tax filer has no income tax liability for the year in question. The EITC is available to low income families that include at least one child who is a dependent of an individual with earned income. According to the Joint Tax Committee, 6.7 million families benefitted from the EITC in 1985.

In 1987, the maximum credit is $851 and it phases out as total income rises above $6,920. The credit is totally phased out at a level of $15,432. Under a one-time change, the phase-out range will rise in 1988 so that the phase out will begin at about $9,700, and the credit will be completely phased out at about $18,400. The maximum credit in 1988 will be about $865. Thereafter, the amount of earnings and income used to compute and phase out the credit will increase each year under an indexing formula.

The law allows individuals who have no tax liability to claim the credit either as an annual tax refund or to have the credit added to their paychecks throughout the year through reverse withholding. In practice, very few individuals use the reverse withholding procedure.

The significance of the EITC as a source of income for low income workers with children was greatly enhanced by the tax reform legislation in 1986 which provided for increasing the amount of the credit and the level of income at which families remain eligible for all or part of the credit. The 1986 tax legislation also provided for indexing these amounts on an annual basis. The budgetary impact of the EITC will, by fiscal 1989, have increased from its 1986 level of $2 billion to about $5 billion. About 75 percent of the "credit" is paid out as a refund in excess of actual tax liability.

The EITC was originally developed by the Committee on Finance as a part of an overall guaranteed employment program which the Committee proposed in 1972 as a replacement for the existing welfare program. It was approved by the Committee as a way of assuring that private employment would be more attractive than the public jobs proposed in the 1972 bill, and as a way of offsetting the impact of payroll taxes for lower income working families. The credit was called a "work bonus" in 1972, because the Committee viewed it as a way of enhancing the value of work, inasmuch as it was payable only to those with earned income and, at least up to the phase down point, the amount of the credit increased as earnings from work increased. Thus, unlike welfare programs in which going to work meant a reduction in benefits, the work bonus provided an increase in income for individuals who went to work. The Committee's 1972 proposals were not enacted, but the Senate passed the EITC as a separate provision on several occasions, and it became law in 1975.

Table 1

STATE ELECTION OF AFDC WORK PROGRAMS

	Community Work Experience	Job Search	Grant Diversion	WIN DEMONSTRATION	WIN
Alabama	X				X
Alaska		X			X
Arizona		X		X	
Arkansas				X	
California	X	X		[1]X	
Colorado	X		X		X
Connecticut		[2]X	X	X	
Delaware				X	
District of Columbia					X
Florida		X	X	X	
Georgia	X	X		X	
Guam					X
Hawaii					X

Table 1 (Continued)

STATE ELECTION OF AFDC WORK PROGRAMS

	Community Work Experience	Job Search	Grant Diversion	WIN DEMONSTRATION	WIN
Idaho	X				X
Illinois	X			X	
Indiana				X	
Iowa	X			X	
Kansas	X	X			X
Kentucky					X
Louisiana					X
Maine		X	X		
Maryland		X	[2]X	[1]X	
Massachusetts		X	X	[1]X	
Michigan	X		X	X	
Minnesota	X	X	X		X
Mississippi					X
Missouri					X
Montana					X

Table 1 (Continued)

STATE ELECTION OF AFDC WORK PROGRAMS

	Community Work Experience	Job Search	Grant Diversion	WIN DEMONSTRATION	WIN
Nebraska	X	X		X	X
Nevada	X				X
New Hampshire					X
New Jersey		X	X	^{1}X	
New Mexico	X				X
New York	X		X	^{1}X	
North Carolina	X				X
North Dakota	X				X
Ohio	X	X	X		X
Oklahoma	X	X	X	X	
Oregon		X	X	X	
Pennsylvania	X	X		^{1}X	
Puerto Rico					X
Rhode Island		X			X
South Carolina	X	X			X

Table 1 (Continued)

STATE ELECTION OF AFDC WORK PROGRAMS

	Community Work Experience	Job Search	Grant Diversion	WIN DEMONSTRATION	WIN
South Dakota	X			[1]X	
Tennessee				X	
Texas		X		[1]X	
Utah		X			X
Vermont	X	X	[2]X		X
Virgin Islands					X
Virginia	X	X		X	
Washington	X	X	X		X
West Virginia	X	[2]X		X	
Wisconsin	X	[2]X		[1]X	
Wyoming					X
TOTAL STATES	26	25	15	26	28

[1] These States operate a WIN demonstration that includes significant subcontracting for employment and training services to the States employment security agency or job training partnership agency, or both.

[2] Effective July 1, 1986.

Source: Department of Health and Human Services

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TABLE 2 - State Participation in Optional AFDC Work Programs
(Data as of October 1986)

State	Date WIN Demo Implemented	CWEP	IV-A Job Search
Alabama		Implemented 1 county April 1982; now operating in 3 counties.	
Alaska			Planning for FY 1987.
Arizona	June 1, 1982		
Arkansas	Sept. 30, 1982		
California	Jan. 1, 1985	Implemented in 1 county July 1981; now in 6 counties.	Implemented October 1985; now operating statewide.
Colorado		Implemented in 1 county Oct. 1982; now operating in 26 counties.	To implement statewide in FY 1987.
Connecticut	Oct. 1, 1985		Implemented July 1986 statewide for applicants and recipients with UP cases as a priority.
Delaware	Apr. 1, 1982		
Florida	Apr. 1, 1982		Implemented July 1985; in the 44 WIN demo counties.
Georgia	Jan. 1, 1985	Implemented in August 1982; now operating in 9 counties.	Implemented January 1986; in 16 counties for applicants and recipients.

Table 2 (Continued)

State	Date WIN Demo Implemented	CWEP	IV-A Job Search
Idaho		Implemented in Jan. 1982; now operating in 8 WIN areas.	
Illinois	July 1, 1982	Implemented in 12 counties in Feb. 1984; now operating in 16 counties.	
Indiana	Sept. 30, 1985		
Iowa	Sept. 30, 1983	Implemented July 1982 for regular AFDC cases in 5 counties; currently operating in 49 counties for UP cases.	
Kansas		Implemented in 4 counties May 1983; currently operating in 19 counties.	Implemented for recipients only May 1983; now operating statewide.
Maine	Apr. 1, 1982		Implemented for recipients only Jan. 1983; in WIN demo areas.
Maryland	Sept. 30, 1982		
Massachusetts	Apr. 12, 1982		Implemented for applicants and recipients in 16 counties Oct. 1982. Statewide for UPs only.
Michigan	Apr. 1, 1982	Implemented July 1982; now operating statewide.	

Table 2 (Continued)

State	Date WIN Demo Implemented	CWEP	IV-A Job Search
Minnesota		Implemented in 3 counties Mar. 1983, now operating in 7 counties; for UP recipients.	Implemented April 1986; in the 7 CWEP counties; for UP applicants and recipients.
Missouri		Planning for FY 87.	Planning for FY 87.
Nebraska	Sept. 30, 1982	Implemented May 1986; now operating statewide.	Implemented March 1986; statewide.
Nevada		Planning for FY 87.	
New Jersey	Oct., 1, 1982		Implemented Oct. 1985; now statewide.
New Mexico		Implemented Sept. 1986; in 5 counties.	
New York	May 1, 1985	Implemented Jan. 1982; now operating in 20 counties and in New York City.	
N. Carolina		Implemented in 6 counties Jan. 1982; now operating in 25 counties.	
N. Dakota		Implemented in 2 counties Jan. 1982; now operating in 11 counties.	
Ohio		Implemented in 4 counties Mar. 1983; now operating in 28 counties.	Implemented for recipients only in 4 counties June 1986; now operating in 28 counties.

Table 2 (Continued)

State	Date WIN Demo Implemented	CWEP	IV-A Job Search
Oklahoma	Jan. 1, 1982	Implemented statewide Jan. 1982.	Implemented statewide for applicants and recipients Apr. 1983.
Oregon	Jan. 1, 1982	Considering for FY 87.	Implemented for applicants and recipients statewide Dec. 1982.
Pennsylvania	Sept. 30, 1982	Implemented statewide March 1983 as part of WIN demo.	Planning to implement statewide FY 87.
Rhode Island			Implemented statewide for AFDC recipients and UP cases July 1985.
S. Carolina		Implemented in 2 counties May 1982.	Implemented for applicants and recipients statewide Oct. 1985.
S. Dakota	Apr. 1, 1982	Implemented in 40 counties; Apr. 1982; now operating statewide.	
Tennessee	Oct. 2, 1985		
Texas	Mar. 4, 1985		Implemented Apr. 1983 for applicants and recipients now operating statewide.
Utah			Implemented for applicants and recipients statewide Oct. 1984.

Table 2 (Continued)

State	Date WIN Demo Implemented	CWEP	IV-A Job Search
Vermont		Implemented April 1984; for UP cases active 6 months or more.	Implemented for all UP applicants statewide Apr. 1984.
Virginia	Jan. 1, 1983	Implemented Statewide as part of WIN demo Jan. 1983.	Implemented Statewide Jan. 1983 for applicants and recipients.
Washington		Implemented in 2 counties June 1982.	Implemented statewide Oct. 1984 for applicants and recipients.
W. Virginia	Sept 27, 1982	Implemented statewide for UP cases Jan. 1982; now operating statewide for UP and regular AFDC recipients as part of WIN demo.	Implemented July 1986; statewide for all applicants and recipients as part of WIN demo.
Wisconsin	Sept. 30, 1982	Approved for implementation Aug. 1986.	Implemented statewide July 1986.

Source: Department of Health and Human Services

TABLE 3 - State Participation in
Work Supplementation Programs
(Data as of December 1986)

	AFDC for Family of 3 1986	Wage Subsidy	Duration	Basis for Subsidy/Duration	Voluntary/ Mandatory	Location	Annual Participation Goal
Colorado	$346.00	100 percent including other State/ local funds.	8 week cycles.	Fixed subsidy and duration (short-term public employment).	Mandatory	1 county	500
Connecticut	$505.00	Varies by wage and grant amount; as of 1/87, $1.75/hr.	5 months maximum.	Varies; 5 months maximum.	Voluntary	5 urban cities	300 participants
Florida	$252.00	33 percent AFDC; 50 percent JPTA; 83 percent total.	3 months average (up to 1 yr).	Flat 50 percent JPTA flat amount AFDC; ($190); duration - DOT code.	Voluntary	44 counties	200
Maine	$389.00	50 percent	6 months maximum plus optional vocational and field training.	Flat 50 percent including JPTA contribution; duration may vary.	Voluntary	All welfare work program offices (majority of State)	300
Maryland	$345.00	50 percent	4 month average	Flat 50 percent; duration may vary.	Mandatory	7 counties	200-250 participants 250 job entries.
Massachusetts	$476.00	Minimum 25% Maximum 50%	Maximum 9 months; average 4 months.	Varies; duration 9 months	Voluntary	Statewide	1,000 job entries.

TABLE 3 - State Participation in
Work Supplementation Programs
(Data as of December 1986)

	AFDC for Family of 3 1986	Wage Subsidy	Duration	Basis for Subsidy/Duration	Voluntary/ Mandatory	Location	Annual Participation Goal
Michigan	$435.00	Maximum $400.00/ month	6 months	No more than 50 percent of gross wages; maximum 6 months.	Voluntary	7 counties	1,000
Minnesota	$532.00	At least 50 percent from AFDC plus other funds (WIN, JPTA, State)	9 months	Diverted grant and other funds up to 50 percent of wages; duration 9 months.	Voluntary	17 counties	500
New Jersey	$404.00	50 percent	5 months average; (9 months maximum).	Flat 50 percent; duration may vary.	Voluntary	9 counties	500
New York	$497.00	$250.00/month	6 months maximum	Flat amount ($250.00); duration may vary.	Mandatory	36 counties	1,351 job entries
Ohio	$302.00	AFDC grant	18 months (FFP for 9 months; State funds only for next 9 mos.	Entire grant diverted; duration may vary.	Voluntary	10 counties	300
Oregon	$397.00	$200.00/month (maximum)	6 months maximum	Flat $200.00 if monthly wage $500.00 or more. If less, $1.15/ hour of work	Voluntary	Statewide	No official goal
Oklahoma	$310.00	$250.00/month	9 months maximum	Flat $250.00/month; 9-month duration	Voluntary	Statewide .	500

TABLE 3 - State Participation in Grant Diversion Demonstration Projects
and Work Supplementation Programs
(Data as of December 1986)

	AFDC for Family of 3 1986	Wage Subsidy	Duration	Basis for Subsidy/Duration	Voluntary/ Mandatory	Location	Annual Participation Goal
Vermont	$550.00	50 percent	9 months maximum; 3.5 months average.	Flat 50 percent; 6 month maximum.	Voluntary	Statewide	200
Washington State	$492.00	50 percent	9 months (maximum)	Flat 50 percent	Voluntary	2 counties	No official goal

Source: Department of Health and Human Services

TABLE 4 - WIN ALLOCATIONS, 1986 AND 1987
(in thousands of dollars)

	1986		1987*	
	WIN	WIN Demo	WIN	WIN Demo
Alabama	$ 1,877		$ 953	
Alaska	537			
American Samoa			273	
Arizona		$ 1,427		$ 724
Arkansas		1,171		594
California		27,791		14,109
Colorado	3,003		1,525	
Connecticut		2,945		1,495
Delaware		690		350
Dist. of Columbia	1,853		941	
Florida		3,065		1,556
Georgia		3,346		1,699
Guam	151		77	
Hawaii	1,191		605	
Idaho	1,331		676	
Illinois		10,028		5,091
Indiana		2,637		1,339
Iowa		2,189		1,112
Kansas	1,493		758	
Kentucky	2,001		1,016	
Louisiana	1,485		754	
Maine		1,141		579
Maryland		3,837		1,948
Massachusetts		6,688		3,395
Michigan		14,621		7,423
Minnesota	4,072		2,067	
Mississippi	1,546		784	
Missouri	2,879		1,462	
Montana	934		474	
Nebraska		701		356
Nevada	590		299	
New Hampshire	419		213	
New Jersey		7,751		3,935
New Mexico	845		429	
New York		17,534		8,902
North Carolina	2,831		1,463	
North Dakota	454		231	
Ohio	11,297		5,735	
Oklahoma		1,221		620
Oregon		5,641		2,864
Pennsylvania		9,209		4,675

TABLE 4 - Continued

	1986		1987 *	
	WIN	WIN Demo	WIN	WIN Demo
Puerto Rico	$ 1,240		$ 630	
Rhode Island	1,153		585	
South Carolina	1,455		739	
South Dakota		$ 870		$ 442
Tennessee		1,991		1,011
Texas		4,194		2,129
Utah	3,032		1,539	
Vermont	1,520		772	
Virgin Islands	206		105	
Virginia		2,009		1,477
Washington	8,742		4,438	
West Virginia		2,792		1,418
Wisconsin		7,990		4,056
Wyoming	317		161	
National Total	$58,504	$144,380	$29,701	$73,299

* 1987 allocations as of November 16, 1986. Subject to change.

Source: Department of Health and Human Services

Table 5 - Characteristics of AFDC Recipients 1969 - 1984

	May 1969	Jan. 1973	May 1975	Mar. 1977	Mar. 1979	Avg.a/ 1983	Avg.a/ 1984
Average Family Size (persons)	4.0	3.6	3.2	3.1	3.0	3.0	2.9
Number of Child Recipients (percent of AFDC cases)							
One	26.6	NA	37.9	40.3	42.3	43.4	44.1
Two	23.0	NA	26.0	27.3	28.1	29.8	29.6
Three	17.7	NA	16.1	16.1	15.6	15.2	15.5
Four or more	32.5	NA	20.0	16.3	13.9	10.1	10.0
Unknown	-	NA	-	-	-	1.5	0.8
Race/Ethnicity (percent of caretakers)							
White	NA	38.0	39.9	41.4	40.4	41.8	41.3
Black	45.2	45.8	44.3	43.0	43.1	43.8	41.9
Hispanic	NA	13.4	12.2	12.2	13.6	12.0	12.8
Native American	1.3	1.1	1.1	1.1	1.4	1.0	1.1
Asian	NA	NA	0.5	0.4	1.0	1.5	2.3
Other and unknown	4.8	1.7	2.0	1.9	0.4	-	0.6
Education of Mother (percent of mothers)							
Less than 8th Grade	19.0	NA	10.3	6.8	5.1	NA	NA
8th Grade	10.4	NA	6.4	4.8	4.4	NA	NA
1-3 years of HS	30.7	NA	31.7	25.1	20.8	NA	NA
High School Degree	16.0	NA	23.7	20.5	18.8	NA	NA
Some College	2.0	NA	3.9	3.0	2.7	NA	NA
College Graduate	0.2	NA	0.7	0.4	0.4	NA	NA
Unknown	21.6	NA	23.3	39.4	47.8	NA	NA
Basis for Eligibility (percent of children)							
Both parents present:							
Incapacitated	11.7	10.2	7.7	5.9	5.3	3.4	3.6
Unemployed	4.6	4.1	3.7	5.0	4.1	9.2	8.6
One or both parents absent:							
Death	5.5	5.0	3.7	2.6	2.2	1.9	1.9
Divorce or separ.	43.3	46.5	48.3	46.9	44.7	38.6	36.2
No marital tie	27.9	31.5	31.0	33.8	37.8	45.5	46.4
Other reason	3.5	2.7	4.0	5.7	5.9	1.4	1.2
Unknown	3.5	-	1.6	-	-	-	2.1

a. Average monthly figures for fiscal year.

Table 5

Characteristics of AFDC Recipients, continued
1969 - 1984

	May 1969	Jan. 1973	May 1975	Mar. 1977	Mar. 1979	Avg.a/ 1983	Avg.a/ 1984
Mother's Employment Status (percent of mothers)							
Full-time job	8.2	9.8	10.4	8.4	8.7	1.5	1.2
Part-time job	6.3	6.3	5.7	5.3	5.4	3.4	3.6
Actively seeking work; in school or training	10.0	11.5	12.2	13.8	12.8	19.7	22.2
Age of mother (percent of mothers)							
Under 20	6.6	NA	8.3	8.1	4.1b/	3.6b/	NA
20-24	16.7	NA	43.1	42.8	28.0c/	28.6c/	NA
25-29	17.6	NA			21.4d/	23.8d/	NA
30-39	30.4	NA	27.9	24.2	27.2d/	27.9d/	NA
40 or over	25.0	NA	17.6	17.7	15.4d/	15.7d/	NA
Unknown	3.6	NA	3.0	7.2	4.0d/	0.3d/	NA
Ages of Children (percent of recipient children)							
Under 3	14.9	NA	16.5	17.3	18.9	22.5	21.6
3-5	17.6	NA	18.1	17.8	17.5	20.1	21.0
6-11	36.5	NA	33.7	33.9	33.0	31.5	31.9
12 and over	31.0	NA	30.9	30.1	29.8	25.5	25.5
Unknown	-	NA	0.8	0.9	0.9	0.3	0.2
Median Number of Months on AFDC	23	27	31	26	29	26	26

SOURCES: Tabulations from the Office of Family Assistance, HHS; National Center for Social Statistics, AFDC: Selected Statistical Data on Families Aided and Program Operations, NCSS Report H-4(71), 1971; Office of Research and Statistics, Social Security Administration, AFDC: A Chartbook, 1978 & 1979; ORS, SSA, 1979 Recipient Characteristics Study, Part 1, 1982; ORS, SSA, 1983 Recipient Characteristics and Financial Circumstances of AFDC Recipients, 1986; Committee on Ways and Means, Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means, 1986; and unpublished statistics from the 1984 AFDC quality control data.

a. Average monthly figures for fiscal year.
b. Under age 19. Includes other caretaker adult if mother absent.
c. Ages 19-24. Includes other caretaker adult if mother absent.
d. Includes other caretaker adult if mother absent.

SOURCE: Congressional Budget Office, January 19, 1987

Table 6 Labor force participation rates of women by marital status and presence and age of children, March, selected years, 1975-86

Year and marital status	Total	No children under 18 years old	With children under 18 years old: Total	With children 6 to 17 years old, none younger: Total	With children 6 to 17 years old, none younger: 14 to 17 years old only	With children 6 to 17 years old, none younger: 6 to 13 years old	With children under 6 years old: Total	With children under 6 years old: 3 to 5 years old only	With children under 6 years old: Under 3 years old
Total									
1975........................	45.9	45.1	47.3	54.8	56.2	54.3	38.8	44.9	34.1
1980........................	51.1	48.1	56.6	64.3	63.1	64.9	46.8	54.3	41.9
1985........................	54.5	50.4	62.1	69.9	69.4	69.9	53.5	59.5	49.5
1986........................	54.7	50.5	62.8	70.4	72.2	69.3	54.4	59.9	50.8
Married, spouse present									
1975........................	44.4	43.9	44.8	52.3	53.3	51.8	36.6	42.0	32.5
1980........................	50.1	46.0	54.1	61.7	60.4	62.6	45.1	51.8	41.7
1985........................	54.2	48.2	60.8	67.8	67.0	68.2	53.4	58.6	50.5
1986........................	54.6	48.2	61.3	68.4	69.5	67.9	53.8	58.4	50.9
Divorced									
1975........................	72.1	69.7	74.8	80.1	81.5	79.6	65.8	68.0	41.1
1980........................	74.5	71.4	78.2	82.3	84.0	81.6	68.3	74.6	56.8
1985........................	75.0	72.1	79.1	83.4	85.5	82.6	67.5	75.1	52.2
1986........................	76.0	72.1	81.7	84.7	89.9	81.9	73.8	79.1	44.3
Never married									
1975........................	56.8	57.5	41.7	61.1	(1)	58.7	36.3	48.8	30.5
1980........................	61.5	62.1	52.0	67.6	(1)	70.3	44.1	48.3	41.7
1985........................	65.2	66.9	51.6	64.1	67.0	63.6	46.5	55.9	42.2
1986........................	65.3	66.8	52.9	65.9	70.0	64.3	47.5	53.2	44.4
Separated									
1975........................	55.2	56.9	53.9	59.1	64.3	57.6	49.4	54.0	46.0
1980........................	59.4	58.9	60.0	66.3	67.2	65.9	52.2	65.4	42.6
1985........................	61.3	60.0	62.6	70.9	76.6	68.5	53.2	58.1	48.9
1986........................	62.2	60.4	63.9	70.6	73.1	69.3	57.4	63.2	52.5
Widowed									
1975........................	23.9	21.3	51.2	53.8	59.7	48.6	36.1	(1)	(1)
1980........................	22.5	20.0	58.4	60.7	60.7	60.8	44.7	(1)	(1)
1985........................	20.6	18.6	59.4	62.9	61.4	64.5	45.7	(1)	(1)
1986........................	19.3	17.5	55.3	57.3	61.8	52.7	46.4	(1)	(1)

1/ Data not shown where base is less than 75,000.

Source: Bureau of Labor Statistics, Department of Labor

TABLE 7 - WORK EXPERIENCE OF MOTHERS WITH CHILDREN UNDER AGE 18 BY AGE OF YOUNGEST CHILD AND FAMILY TYPE, 1985

Age of Youngest Child	Number of Mothers (thousands)	Working Full-Time a/ (percent)		Working Part-Time b/ (percent)		Percent Not Working (percent)
		Full Year c/	Part Year c/	Full Year c/	Part Year c/	
All Mothers with Children Under Age 18						
Under 3	9,430	19	18	6	16	40
3-5	6,275	28	14	8	14	36
6-11	8,726	35	14	10	14	28
12-17	8,429	41	13	10	11	25
All	32,860	31	15	9	14	32
Mothers Living with Husband and with Children Under Age 18						
Under 3	7,557	20	19	7	17	38
3-5	4,665	27	13	10	15	36
6-11	6,482	32	13	11	15	29
12-17	6,311	37	13	12	12	26
All	25,015	29	15	10	15	32
Mothers Not Living with Husband and with Children Under Age 18						
Under 3	1,873	15	17	3	15	50
3-5	1,610	31	17	5	11	36
6-11	2,244	42	16	6	8	28
12-17	2,117	52	13	5	8	21
All	7,845	36	16	5	10	33

SOURCE: Tabulations of March 1986 Current Population Survey data.

a. Working 35 or more hours per week for the majority of weeks worked during the year.
b. Working fewer than 35 hours per week for the majority of weeks worked during the year.
c. Full-year means working at least 50 weeks; part-year is less than 50 weeks.

Table prepared by the Congressional Budget Office.

FAMILY OF TWO (One adult & one child)

Table 8

DHHS

	ELIGIBILITY DETERMINATION				DETERMINATION OF PAYMENT AMOUNT FOR FULL-TIME EMPLOYMENT AT MINIMUM WAGE	First four months	Five to twelve months	Over twelve months
	Need Standard	185% of Need Standard	Full-time Employment @ Minimum Wage (173.3 hrs/mon. x $3.35/hr)	Needs Based Eligibility	Payment Standard	APDC Payment Amount = Payment Standard less Countable Income (Earned Income - $75 Work Expenses; $100 Child Care; $30; and One-third of remainder)	APDC Payment Amount = Payment Standard less Countable Income (Earned Income - $75 Work Expenses; $100 Child Care; $30)	APDC Payment Amount = Payment Standard less Countable Income (Earned Income - $75 Work Expenses & $100 Child Care)
AL	$288.00	$532.80	$580.56	Not Eligible	$88.00	$0.00	$0.00	$0.00
AK	657.00	1,215.45	580.56	Eligible	657.00	406.63	281.44	251.44
AZ	494.00	913.90	580.56	Eligible	233.00	0.00	0.00	0.00
AR	193.00	357.05	580.56	Not Eligible	158.00	0.00	0.00	0.00
CA	498.00	921.30	580.56	Eligible	498.00	247.63	122.44	92.44
CO	331.00	612.35	580.56	Eligible	272.00	21.63	0.00	0.00
CT	411.00	760.35	580.56	Eligible	411.00	160.63	35.44	5.44
DE	229.00	423.65	580.56	Not Eligible	229.00	0.00	0.00	0.00
DC	560.00	1,036.00	580.56	Eligible	275.00	24.63	0.00	0.00
FL	297.00	549.45	580.56	Not Eligible	194.00	0.00	0.00	0.00
GA	306.00	566.10	580.56	Not Eligible	214.00	0.00	0.00	0.00
HW	390.00	721.50	580.56	Eligible	390.00	139.63	14.44	0.00
ID	446.00	825.10	580.56	Eligible	245.00	0.00	0.00	0.00
IL	503.00	930.55	580.56	Eligible	250.00	0.00	0.00	0.00
IN	247.00	456.95	580.56	Not Eligible	222.00	0.00	0.00	0.00
IA	421.00	778.85	580.56	Eligible	322.00	71.63	0.00	0.00
KS	308.00	569.80	580.56	Not Eligible	308.00	0.00	0.00	0.00
KY	170.00	314.50	580.56	Not Eligible	170.00	0.00	0.00	0.00
LA	431.00	797.35	580.56	Eligible	137.00	0.00	0.00	0.00
ME	398.00	736.30	580.56	Eligible	289.00	38.63	0.00	0.00
MD	373.00	690.05	580.56	Eligible	269.00	18.63	0.00	0.00
MA	394.00	728.90	580.56	Eligible	394.00	143.63	18.44	0.00
MI	454.00	839.90	580.56	Eligible	350.00	99.63	0.00	0.00
MN	437.00	808.45	580.56	Eligible	437.00	186.63	61.44	31.44
MS	293.00	542.05	580.56	Not Eligible	183.00	0.00	0.00	0.00
MO	250.00	462.50	580.56	Not Eligible	223.00	0.00	0.00	0.00
MT	337.00	623.45	580.56	Eligible	279.00	28.63	0.00	0.00
NE	280.00	518.00	580.56	Not Eligible	280.00	0.00	0.00	0.00
NV	229.00	423.65	580.56	Not Eligible	229.00	0.00	0.00	0.00
NH	336.00	621.60	580.56	Eligible	336.00	85.63	0.00	0.00
NJ	307.00	567.95	580.56	Not Eligible	307.00	0.00	0.00	0.00
NM	210.00	388.50	580.56	Not Eligible	210.00	0.00	0.00	0.00
NY	416.00	769.60	580.56	Eligible	416.50	166.13	40.94	10.94
NC	428.00	791.80	580.56	Eligible	214.00	0.00	0.00	0.00
ND	301.00	556.85	580.56	Not Eligible	301.00	0.00	0.00	0.00
OH	553.00	1,023.05	580.56	Eligible	248.00	0.00	0.00	0.00
OK	364.00	673.40	580.56	Eligible	240.00	0.00	0.00	0.00
OR	338.00	625.30	580.56	Eligible	338.00	87.63	0.00	0.00
PA	461.00	852.85	580.56	Eligible	287.00	36.63	0.00	0.00
RI	357.00	660.45	580.56	Eligible	357.00	106.63	0.00	0.00
SC	302.00	558.70	580.56	Not Eligible	302.00	0.00	0.00	0.00
SD	323.00	597.55	580.56	Eligible	323.00	72.63	0.00	0.00
TN	265.00	490.25	580.56	Not Eligible	119.00	0.00	0.00	0.00
TX	493.00	912.05	580.56	Eligible	158.00	0.00	0.00	0.00
UT	556.00	1,028.60	580.56	Eligible	301.00	50.63	0.00	0.00
VT	698.00	1,291.30	580.56	Eligible	457.00	206.63	81.44	51.44
VA	257.00	475.45	580.56	Not Eligible	231.00	0.00	0.00	0.00
WA	646.00	1,195.10	580.56	Eligible	397.00	146.63	0.00	0.00
WV	401.00	741.85	580.56	Eligible	201.00	0.00	0.00	0.00
WI	545.00	1,008.25	580.56	Eligible	463.25	212.88	87.69	57.69
WY	320.00	592.00	580.56	Eligible	320.00	69.63	0.00	0.00
GM	120.00	222.00	580.56	Not Eligible	120.00	0.00	0.00	0.00
PR	112.00	207.20	580.56	Not Eligible	56.00	0.00	0.00	0.00
VI	[illegible]	[illegible]	580.56	Not Eligible	176.00	0.00	0.00	0.00

FAMILY OF THREE (One adult & two children)

Table 9

	ELIGIBILITY DETERMINATION				DETERMINATION OF PAYMENT AMOUNT FOR FULL-TIME EMPLOYMENT AT MINIMUM WAGE	First four months	Five to twelve months	Over twelve months
	Need Standard	185% of Need Standard	Full-time Employment @ Minimum Wage (173.3 hrs/mon. x $3.35/hr)	Needs Based Eligibility	Payment Standard	AFDC Payment Amount = Payment Standard less Countable Income (Earned Income - $75 Work Expenses; $100 Child Care; $30; and One-third of remainder)	AFDC Payment Amount = Payment Standard less Countable Income (Earned Income - $75 Work Expenses; $100 Child Care; $30)	AFDC Payment Amount = Payment Standard less Countable Income (Earned Income - $75 Work Expenses & $100 Child Care)
AL	$384.00	$710.40	$580.56	Eligible	$118.00	$0.00	$0.00	$0.00
AK	740.00	1,369.00	580.56	Eligible	740.00	489.63	364.44	334.44
AZ	621.00	1,148.85	580.56	Eligible	293.00	42.63	0.00	0.00
AR	234.00	432.90	580.56	Not Eligible	192.00	0.00	0.00	0.00
CA	617.00	1,141.45	580.56	Eligible	617.00	366.63	241.44	211.44
CO	421.00	778.85	580.56	Eligible	346.00	95.63	0.00	0.00
CT	505.00	934.25	580.56	Eligible	505.00	254.63	129.44	99.44
DE	310.00	573.50	580.56	Not Eligible	310.00	0.00	0.00	0.00
DC	712.00	1,317.20	580.56	Eligible	350.00	99.63	0.00	0.00
FL	400.00	740.00	580.56	Eligible	252.00	1.63	0.00	0.00
GA	366.00	677.10	580.56	Eligible	256.00	5.63	0.00	0.00
HW	468.00	865.80	580.56	Eligible	468.00	217.63	92.44	62.44
ID	554.00	1,024.90	580.56	Eligible	304.00	53.63	0.00	0.00
IL	689.00	1,274.65	580.56	Eligible	342.00	91.63	0.00	0.00
IN	307.00	567.95	580.56	Not Eligible	276.00	0.00	0.00	0.00
IA	497.00	919.45	580.56	Eligible	381.00	130.63	5.44	0.00
KS	377.00	697.45	580.56	Eligible	377.00	126.63	1.44	0.00
KY	197.00	364.45	580.56	Not Eligible	197.00	0.00	0.00	0.00
LA	600.00	1,110.00	580.56	Eligible	190.00	0.00	0.00	0.00
ME	536.00	991.60	580.56	Eligible	389.00	138.63	13.44	0.00
ME	478.00	884.30	580.56	Eligible	345.00	94.63	0.00	0.00
MA	476.00	880.60	580.56	Eligible	476.00	225.63	100.44	70.44
MI	557.00	1,030.45	580.56	Eligible	435.00	184.63	59.44	29.44
MN	532.00	984.20	580.56	Eligible	532.00	281.63	156.44	126.44
MS	368.00	680.80	580.56	Eligible	214.00	0.00	0.00	0.00
MD	312.00	577.20	580.56	Not Eligible	279.00	0.00	0.00	0.00
MT	401.00	741.85	580.56	Eligible	332.00	81.63	0.00	0.00
NE	350.00	647.50	580.56	Eligible	350.00	99.63	0.00	0.00
NV	285.00	527.25	580.56	Not Eligible	285.00	0.00	0.00	0.00
NH	397.00	734.45	580.56	Eligible	397.00	146.63	21.44	0.00
NJ	404.00	747.40	580.56	Eligible	404.00	153.63	28.44	0.00
NM	258.00	477.30	580.56	Not Eligible	258.00	0.00	0.00	0.00
NY	497.00	919.45	580.56	Eligible	497.00	246.63	121.44	91.44
NC	492.00	910.20	580.56	Eligible	246.00	0.00	0.00	0.00
ND	371.00	686.35	580.56	Eligible	371.00	120.63	0.00	0.00
OH	673.00	1,245.05	580.56	Eligible	302.00	51.63	0.00	0.00
OK	471.00	871.35	580.56	Eligible	310.00	59.63	0.00	0.00
OR	397.00	734.45	580.56	Eligible	397.00	146.63	21.44	0.00
PA	587.00	1,085.95	580.56	Eligible	365.00	114.63	0.00	0.00
RI	441.00	815.85	580.56	Eligible	441.00	190.63	65.44	35.44
SC	380.00	703.00	580.56	Eligible	380.00	129.63	4.44	0.00
SD	366.00	677.10	580.56	Eligible	366.00	115.63	0.00	0.00
TN	345.00	638.25	580.56	Eligible	155.00	0.00	0.00	0.00
TX	574.00	1,061.90	580.56	Eligible	184.00	0.00	0.00	0.00
UT	693.00	1,282.05	580.56	Eligible	376.00	125.63	0.44	0.00
VT	841.00	1,555.85	580.56	Eligible	550.00	299.63	174.44	144.44
VA	322.00	595.70	580.56	Eligible	291.00	40.63	0.00	0.00
WA	800.00	1,480.00	580.56	Eligible	492.00	241.63	116.44	86.44
WV	497.00	919.45	580.56	Eligible	249.00	0.00	0.00	0.00
WI	641.00	1,185.85	580.56	Eligible	544.00	293.63	168.44	138.44
WY	360.00	666.00	580.56	Eligible	360.00	109.63	0.00	0.00
GM	165.00	305.25	580.56	Not Eligible	165.00	0.00	0.00	0.00
PR	160.00	296.00	580.56	Not Eligible	80.00	0.00	0.00	0.00
VI	209.00	386.65	580.56	Not Eligible	171.00	0.00	0.00	0.00

Table 10 - AFDC January 1987 Breakeven Points, Family of 4, First 4 Months, by State

	Child care, $0; work expense, $75		105 percent of need std.	Effective Breakeven	Breakeven as a percent of--	
	AFDC Maximum	Computed Breakeven			Poverty level	Minimum wage
Alabama	$147	$325	$888	$325	35	56
Alaska	823	1,439	1,523	1,439	126	248
Arizona	353	734	1,450	734	80	126
Arkansas	224	541	505	505	55	87
California	734	1,305	1,358	1,305	142	225
Colorado	420	835	944	835	91	144
Connecticut	593	1,094	1,097	1,094	119	188
Delaware	363	749	672	672	73	116
D.C.	427	845	1,610	845	92	146
Florida	298	652	866	652	71	112
Georgia	302	658	799	658	72	113
Hawaii	546	1,024	1,010	1,010	96	174
Idaho	344	721	1,160	721	79	124
Illinois	368	757	1,319	757	83	130
Indiana	316	679	672	672	73	116
Iowa	443	869	1,069	869	95	150
Kansas	436	859	807	807	88	139
Kentucky	246	574	455	455	50	78
Louisiana	234	556	1,365	556	61	96
Maine	489	938	1,247	938	102	162
Maryland	415	827	1,062	827	90	142
Massachusetts	556	1,039	1,029	1,029	112	177
Michigan	536	1,009	1,254	1,009	110	174
Minnesota	621	1,136	1,149	1,136	124	196
Mississippi	144	421	820	421	46	72
Missouri	326	694	675	675	74	116
Montana	425	842	949	842	92	145
Nebraska	420	835	777	777	85	134
Nevada	341	716	631	631	69	109
New Hampshire	451	881	834	834	91	144
New Jersey	465	902	860	860	94	148
New Mexico	313	674	579	579	63	100
New York	596	1,099	1,103	1,099	120	189
North Carolina	269	608	995	608	66	105
North Dakota	454	886	840	840	92	145
Ohio	374	766	1,543	766	84	132
Oklahoma	384	781	1,079	781	85	134
Oregon	482	928	892	892	97	154
Pennsylvania	451	881	1,339	881	96	152
Rhode Island	503	959	931	931	102	160
South Carolina	240	565	847	565	62	97
South Dakota	408	817	755	755	82	130
Tennessee	189	488	779	488	53	84
Texas	221	536	1,278	536	59	92
Utah	439	863	1,497	863	94	149
Vermont	596	1,099	1,685	1,099	120	189
Virginia	347	725	714	714	78	123
Washington	578	1,072	1,741	1,072	117	185
West Virginia	312	673	1,153	673	73	116
Wisconsin	649	1,178	1,413	1,178	129	203
Wyoming	390	790	722	722	79	124

Source: Department of Health and Human Services

Table 11 - AFDC January 1987 Breakeven Points, Family of 4, Months 5-12, by State

	Child care, $0; work expense, $75		185 percent of need std.	Effective Breakeven	Breakeven as a percent of--	
	AFDC Maximum	Computed Breakeven			Poverty level	Minimum wage
Alabama	$147	$252	$880	$252	27	43
Alaska	823	1,028	1,523	1,028	90	177
Arizona	353	558	1,450	558	61	96
Arkansas	224	429	505	429	47	74
California	734	939	1,358	939	102	162
Colorado	420	625	944	625	68	108
Connecticut	593	798	1,097	798	87	137
Delaware	363	568	672	568	62	98
D.C.	427	632	1,610	632	69	109
Florida	298	503	866	503	55	87
Georgia	302	507	799	507	55	87
Hawaii	546	751	1,010	751	71	129
Idaho	344	549	1,160	549	60	95
Illinois	368	573	1,319	573	63	99
Indiana	316	521	672	521	57	90
Iowa	443	648	1,069	648	71	112
Kansas	436	641	807	641	70	110
Kentucky	246	451	455	451	49	78
Louisiana	234	439	1,365	439	48	76
Maine	489	694	1,247	694	76	120
Maryland	415	620	1,062	620	68	107
Massachusetts	556	761	1,029	761	83	131
Michigan	536	741	1,254	741	81	128
Minnesota	621	826	1,149	826	90	142
Mississippi	144	349	820	349	38	60
Missouri	326	531	675	531	58	91
Montana	425	630	949	630	69	109
Nebraska	420	625	777	625	68	108
Nevada	341	546	631	546	60	94
New Hampshire	451	656	834	656	72	113
New Jersey	465	670	860	670	73	115
New Mexico	313	518	579	518	57	89
New York	596	801	1,103	801	87	138
North Carolina	269	474	995	474	52	82
North Dakota	454	659	840	659	72	114
Ohio	374	579	1,543	579	63	100
Oklahoma	384	589	1,079	589	64	101
Oregon	482	687	892	687	75	118
Pennsylvania	451	656	1,339	656	72	113
Rhode Island	503	708	931	708	77	122
South Carolina	240	445	847	445	49	77
South Dakota	408	613	755	613	67	106
Tennessee	189	394	779	394	43	68
Texas	221	426	1,278	426	46	73
Utah	439	644	1,497	644	70	111
Vermont	596	801	1,685	801	87	138
Virginia	347	552	714	552	60	95
Washington	578	783	1,741	783	85	135
West Virginia	312	517	1,153	517	56	89
Wisconsin	649	854	1,413	854	93	147
Wyoming	390	595	722	595	65	102

Source: Department of Health and Human Services

Table 12 - AFDC January 1987 Breakeven Points, Family of 4, After 12 Months, by State

	Child care, $0; work expense, $75		185 percent of need std.	Effective Breakeven	Breakeven as a percent of--	
	AFDC Maximum	Computed Breakeven			Poverty level	Minimum wage
Alabama	$147	$222	$888	$222	24	38
Alaska	823	898	1,523	898	78	155
Arizona	353	428	1,450	428	47	74
Arkansas	224	299	505	299	33	52
California	734	809	1,358	809	88	139
Colorado	420	495	944	495	54	85
Connecticut	593	668	1,097	668	73	115
Delaware	363	438	672	438	48	75
D.C.	427	502	1,610	502	55	86
Florida	298	373	866	373	41	64
Georgia	302	377	799	377	41	65
Hawaii	546	621	1,010	621	59	107
Idaho	344	419	1,160	419	46	72
Illinois	368	443	1,319	443	48	76
Indiana	316	391	672	391	43	67
Iowa	443	518	1,069	518	57	89
Kansas	436	511	807	511	56	88
Kentucky	246	321	455	321	35	55
Louisiana	234	309	1,365	309	34	53
Maine	489	564	1,247	564	62	97
Maryland	415	490	1,062	490	53	84
Massachusetts	556	631	1,029	631	69	109
Michigan	536	611	1,254	611	67	105
Minnesota	621	696	1,149	696	76	120
Mississippi	144	219	820	219	24	38
Missouri	326	401	675	401	44	69
Montana	425	500	949	500	55	86
Nebraska	420	495	777	495	54	85
Nevada	341	416	631	416	45	72
New Hampshire	451	526	834	526	57	91
New Jersey	465	540	860	540	59	93
New Mexico	313	388	579	388	42	67
New York	596	671	1,103	671	73	116
North Carolina	269	344	995	344	38	59
North Dakota	454	529	840	529	58	91
Ohio	374	449	1,543	449	49	77
Oklahoma	384	459	1,079	459	50	79
Oregon	482	557	892	557	61	96
Pennsylvania	451	526	1,339	526	57	91
Rhode Island	503	578	931	578	63	100
South Carolina	240	315	847	315	34	54
South Dakota	408	483	755	483	53	83
Tennessee	189	264	779	264	29	45
Texas	221	296	1,278	296	32	51
Utah	439	514	1,497	514	56	89
Vermont	596	671	1,685	671	73	116
Virginia	347	422	714	422	46	73
Washington	578	653	1,741	653	71	112
West Virginia	312	387	1,153	387	42	67
Wisconsin	649	724	1,413	724	79	125
Wyoming	390	465	722	465	51	80

Source: Department of Health and Human Services

APPENDIX A

STATE OF CALIFORNIA — HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES

GENERAL PROVISIONS
PARTICIPANT CONTRACT

PARTICIPANT NAME	
CASE NUMBER	IDENTIFICATION NUMBER
WELFARE WORKER NAME	DATE

I. INTRODUCTION

This contract is an agreement between you, ______________ (PARTICIPANT) and ______________ (COUNTY WELFARE DEPARTMENT) about how you and the county will work together so that you can get and keep a job. The program that you and the county must follow is called Greater Avenues for Independence, or GAIN.

This contract and any changes to it (amendments) will apply to you and the county for as long as you get cash aid and the rules require you to participate in GAIN or you volunteer to participate in GAIN.

You and the person going over the contract with you (county representative) will both initial each section of the general provisions of the contract to show that the section has been explained to you and that you understand what it means. Ask any questions you have about the section before you write your initials.

County Representative's initials __________ Your initials __________

II. DESCRIPTION

The GAIN program will give you services to help you find and keep a job. Unless you have a good reason that would keep you from participating, you will have to participate in the program as long as you get cash aid. Even if you are not required to participate, you can still volunteer.

Some of the services you can get are job search services, adult education, English-as-a-second-language instruction, vocational education, on-the-job training, and work experience assignments. The services that you get depend on things like your job history, education, experience, skills and interests, and the kinds of jobs in the area where you live.

Most participants will get job search services or go to adult education as their first activity. The welfare office will work with you to agree on other services that are best for you.

The welfare department must pay for certain services, like child care, transportation, and work or training related expenses like books, tools, or special clothes, to help you participate. These services are called supportive services.

The participation requirements and the services the welfare department will provide are listed in this contract. The contract will be changed when there are changes in your program activities.

County Representative's initials __________ Your initials __________

III. COUNTY WELFARE DEPARTMENT RESPONSIBILITIES

A. EMPLOYMENT SERVICES

The welfare department must offer many different services to help you find and keep a job. Each county must have services that will help you prepare to get the kinds of jobs that are in the area where you live. The services that your county has are checked.

☐ **Job Search Workshops** give classroom training on how to find jobs. This training includes basic job search skills, job interview skills, understanding employer requirements, and how to build self-confidence.

☐ **Supervised Job Search** is a way of looking for work which includes calling employers to set up interviews and getting referred to jobs. This will be closely supervised and reviewed by an employment counselor who works with the welfare office.

☐ **Job Club** is made up of both job search workshops and supervised job search.

☐ **Job Placement** includes referrals to jobs listed with the State Employment Development Department or to other jobs.

☐ **Job Development** is when an employment counselor works one-to-one with you to help you look for a job.

☐ **Unsupervised Job Search** is looking for work on your own and reporting back at least every two weeks about your progress.

☐ **Employment Counseling** helps you to decide on the right employment goals, and to identify and solve the problems that might keep you from those goals.

5. Notify ____________________ at ____________________ if there are any changes in your
   name   phone number

need for supportive services.

If you cannot reach the person(s) listed above by telephone, you can send a letter to him or her or you can go see him or her at:

B. WHAT HAPPENS IF YOU DO NOT PARTICIPATE

If you do not participate, the following steps, in this order, will happen.

1. **Cause Determination**

   If you do not meet GAIN program requirements, you have the right to explain why you didn't meet the requirements. The welfare department will decide if there was a good reason. The reasons are listed in the law, and the welfare office must let you know what they are before you sign this contract. If you have a good reason for not participating, the welfare office will work with you to make changes so you can participate. If you have a good reason for not participating, and there is nothing that can be done to help you begin participating again, you will not have to participate.

2. **Conciliation**

   If you do not meet GAIN program requirements, and the welfare office decides there was not a good reason, you have the right to have another welfare worker review the case and work with you so you can meet the program requirements. If this doesn't help, the welfare office will work with you for up to 30 days to help you meet the requirements. This is called "conciliation."

3. **Money Management**

   (This step will not apply to you if you are a volunteer in the program.)

   The first time you fail to meet the program requirements without a good reason and if you still don't meet them after the 30-day conciliation period, there will be a 3-month period of money management. During this time, someone else will handle your family's cash aid for you. The welfare office will choose someone to send your aid to, who will help you decide how to spend the money. This period can be shortened if you agree to meet the program requirements.

4. **Cash Aid Stopped or Lowered (Financial Sanctions)**

   (This step will not apply to you if you are a volunteer in the program.)

   If you still don't meet the requirements after the money management period, your family's cash aid will be stopped or lowered. (Your family's cash aid will be stopped if you don't meet program requirements and you are either the only eligible child in your aid case, or you are an unemployed parent when the only reason you get welfare is your unemployment. Otherwise, your family's cash aid will be lowered instead of stopped.) Your family's cash aid will also be stopped or lowered if you don't meet program requirements without good reasons more than once and conciliation does not work. The first time your family's cash aid is stopped or lowered, it will be for a period of three months. If it is necessary to stop or lower your family's cash aid again, it will be for a period of six months.

5. **Penalty for Volunteers**

   (This step does not apply to you if you are required by law to participate.)

   If you are not required to participate in GAIN, but you volunteer and don't meet the requirements, money management and financial sanctions won't apply to you. Instead, you will not be allowed to participate in GAIN for 6 months if you did not have a good reason for failing to meet the requirements, and you don't agree to participate during conciliation.

C. WHAT YOU CAN DO IF YOU DO NOT AGREE

There are four different ways you can protest a program or participation requirement that you don't agree with. These four ways are:

1. **State Hearing** — This is the same process you can use when you don't agree with any action the welfare office takes about your cash aid. You may request a rehearing after the state hearing decision is reached.

☐ **Assessment** is when a person specially qualified by education or experience will work with you to look at your skills and employment needs to find out what program activities and services will best help you to find and keep a job. During the assessment, an employment plan will be developed that will show your employment goal, what you can do to reach your goal, and how long it should take to reach your goal.

☐ **Job Training** is training in job skills in a classroom or a work setting, and includes on-the-job training.

☐ **Basic Preemployment Preperation (PREP)** is a work assignment which gives work experience and training in work behavior skills. You will not get regular wages but you will keep getting your cash aid.

☐ **Advanced Preemployment Preperation (PREP)** is a work assignment which gives additional training to increase job skills. You will not get regular wages but you will keep getting your cash aid.

☐ **Supported Work** is job training to teach you basic job skills in a group setting. It is closely supervised and slowly gives you experiences with more responsibility. This type of training is paid for, in part, by using all or part of your cash aid to pay the employer back for the wages you get from him or her. This is called grant diversion.

☐ **Transitional Employment** is job training to teach you specific job skills in a work setting. The job is set up for you and you may receive some training for your assignment before you report to your work place. This type of training is paid for, in part, by using all or part of your cash aid to pay the trainer back for the wages you get from him or her. This is called grant diversion.

☐ **Adult Basic Education** teaches reading, writing and arithmetic that is needed to get a job or needed before you go on to other activities. This includes classes to get a high school diploma or something equal to a diploma like a general education development (GED) certificate.

☐ **College programs** teach employment skills that are needed for certain jobs.

☐ **Vocational English as a Second Language** teaches English matched with job training to participants who do not speak English.

B. SUPPORTIVE SERVICES

The county welfare department must pay for and arrange, or help you arrange, certain services that you need to participate in GAIN. If it is necessary, advance payments must be made to you so you do not have to pay for any of these services. These services are described below.

- **Child Care** must be arranged and paid for any of your children who are under 12 years old if you need it to participate. You can choose the kind of child care you want. Payments will be made at the rate that is normally charged in the area where you live. Payment is also available for relatives, friends, or neighbors who take care of your children. If you find a regular job and go off welfare, the county welfare office must pay for your child care for another three months if you need it.
- **Transportation expenses** must be paid up to certain limits for you to travel to and from your GAIN assignment and for you and your children to travel to and from child care providers.
- **Work or Training Related Expenses** must be paid up to certain limits for things like books, tools, and special clothing when it is determined that they are required for you to participate.
- **Personal Counseling** for problems related to your participation in GAIN must be provided to you if you need it to participate and if the service is available under the county's normal system.

C. The county welfare department must meet the terms agreed to in this contract. If they do not, you do not have to participate until they meet the terms.

County Representative's initials ____________ Your initials ____________

IV. PARTICIPANT DUTIES, RESPONSIBILITIES, AND RIGHTS

A. WHAT YOU MUST DO:

1. Sign a contract that you and the county welfare department agree to if you are required to participate or if you volunteer to participate.
2. Meet the terms agreed to in this contract unless you have a good reason not to.
3. Respond to any call-in notices the welfare department sends to you.
4. Notify ______________________ (NAME) at ______________________ (PHONE NUMBER) if there are any changes that affect your participation (such as employment, illness, moving, transportation problems, etc.).

2. **Formal Grievance Set by the Unemployment Insurance Code (UI Code)** — Under this process the welfare office will discuss the problem with you and find out the reason for the problem. The welfare office will offer a plan for you to follow to solve the problem. If you do not agree with the welfare office's plan, you can design your own plan. The welfare office will work with you to decide on a final plan for you to follow. This process can last up to 30 days.

3. **Formal Grievance Set by the County Board of Supervisors** — Each county's board of supervisors is required to set up a formal grievance process. Each county's process can be different. The welfare office must tell you what your county's process is like.

4. **Independent Assessment** — This process can be used if you do not agree with the results of your assessment. Someone who is not connected with the county welfare department will review your assessment and do another assessment if necessary. The results of this independent assessment will be used to set up your employment plan.

The process you can use depends on the situation you are protesting. Also, sanctions may or may not be applied, depending on the situation and whether or not you are participating. These differences are explained in the chart below. If your situation doesn't fit what is described, the welfare department will explain the processes you can use.

SITUATION	PROCESS YOU CAN USE	DO MONEY MANAGEMENT OR SANCTIONS APPLY?	PROCESS YOU CANNOT USE
You don't sign the basic contract.	State hearing	If you request a state hearing before money management or sanctions start, money management or sanctions cannot be applied until after the hearing is decided. If you request a state hearing after money management or sanctions start, money management or sanctions apply.	Formal grievance set by the UI Code, or formal grievance set by the board of supervisors, or independent assessment
You disagree with the results of an assessment.	Independent assessment	No money management or sanctions apply.	State hearing or formal grievance set by the UI Code, or formal grievance set by the board of supervisors
You disagree with the results of the independent assessment.	State hearing	If you request a state hearing before money management or sanctions start, money management or sanctions cannot be applied until after the hearing is decided. If you request a state hearing after money management or sanctions start, money management or sanctions apply	Formal grievance set by the UI Code, or formal grievance set by the board of supervisors, or independent assessment
You disagree with the results of a state hearing.	State hearing (rehearing)	Money management or sanctions would apply if ordered by the results of the state hearing.	Formal grievance set by the UI Code or formal grievance set by the board of supervisors, or independent assessment
You believe a requirement or assignment doesn't fit your contract or should not be allowed under the program, and you keep participating.	State hearing, or formal grievance set by the UI Code, or formal grievance set by the board of supervisors	No money management or sanctions apply.	Independent assessment
You believe a requirement or assignment doesn't fit your contract or should not be allowed under the program, and you don't participate.	State hearing or formal grievance set by the board of supervisors	If you request a state hearing before money management or sanctions start, money management or sanctions cannot be applied until after the hearing is decided. If you request a state hearing after money management or sanctions start, money management or sanctions apply. If you request a formal grievance, money management or sanctions apply.	Formal grievance set by the UI Code or independent assessment

(CONTINUED)

SITUATION	PROCESS YOU CAN USE	DO MONEY MANAGEMENT OR SANCTIONS APPLY?	PROCESS YOU CANNOT USE
You disagree with the results of a formal grievance.	State hearing	If you did not participate during the formal grievance process money management or sanctions apply. If you participated during the formal grievance process, and you keep participating during the state hearing process, money management or sanctions cannot be applied. If you participated during the formal grievance process, but you stop participating, and you request a state hearing before money management or sanctions start, money management or sanctions cannot be applied until after the hearing is decided. If you participated during the formal grievance process but stop participating and you request a state hearing after money management or sanctions start, money management or sanctions apply.	Formal grievance set by the UI Code, or formal grievance set by the board of supervisors, or independent assessment
You disagree with money management or sanctions.	State hearing	If you request a state hearing before money management or sanctions start, money management or sanctions cannot be applied until after the hearing is decided. If you request a state hearing after money management or sanctions start, money management or sanctions apply.	Formal grievance set by the UI Code, or formal grievance set by the board of supervisors, or independent assessment

As long as you participate during any of the situations described above, the county welfare department will keep paying for your supportive services.

You have the right to get legal advice during any of these processes. If you need help, you can contact your legal aid office at the address below:

County Representative's initials ____________ Your initials ____________

V. EXEMPTIONS/DEFERRALS

A. EXEMPT

You are not required to register for GAIN if you:

- Are a child under 16 years old.
- Are a child who is 16, 17, or 18 years old but you go to school (not college) full time.
- Are temporarily ill or injured and the illness or injury would keep you from working.
- Are over 64 years old.
- Are physically or mentally unable to work, or you are pregnant.
- Live so far away from the welfare office or service provider that you cannot participate.
- Must stay home to take care of someone in the household who is unable to care for himself or herself.
- Are the parent or caretaker of a child under 6 and you are responsible for providing full time care for the child.
- Have another adult in the home participating in GAIN.

- Work or expect to work 30 hours or more per week in regular employment that should last at least 30 days.
- Are a parent who is not the principal wage earner when the principal wage earner in the home is registered for GAIN.

The welfare office can ask for proof that you meet any of the above conditions.

B. DEFERRED

You must register for GAIN, but may not have to participate until your situation changes if you:

- Are a parent who has a child under 6 years old and you are enrolled in school for at least 12 units of credit.
- Are dependent on drugs or alcohol.
- Have emotional or mental problems.
- Are having legal difficulties, such as required court appearances.
- Do not have the legal right to work in the United States.
- Are having a severe family crisis.
- Are in good standing in a union that controls referrals and hiring.
- Are temporarily laid off from a job with a definite call-back date.
- Are working 15 or more hours per week.
- Have a temporary illness or have a family member who is temporarily ill.

The welfare office can ask for proof of your situation when needed. The welfare office will review your situation at least every six months.

County Representative's initials ____________ Your initials ____________

STATE OF CALIFORNIA — HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES

JOB CLUB
BASIC CONTRACT #1

PARTICIPANT NAME	
CASE NUMBER	CERTIFICATION NUMBER
WELFARE WORKER NAME	DATE

SPECIFIC PROVISIONS

I. PARTICIPANT RESPONSIBILITIES

A. I understand that I must meet the participation requirements in this contract because:

I have not had a job in the past two years;

My cash aid has not been stopped two or more times due to my employment in the past three years; and

The tests I took show that I do not have to go to school to learn to speak English, read, write or do simple arithmetic or to get a GED certificate.

B. Job Club has been described to me.

I agree to attend Job Club for three weeks, unless I find a job before then.

LOCATION	SCHEDULE

I agree to accept a job if one is offered to me, unless I have a good reason not to. I have been told what these reasons could be.

I understand that I do not have to accept a job if I would end up with less income than if I stayed on cash aid.

C. I need these supportive services to participate:

	YES	NO
Child Care: I need the welfare office to help me arrange and/or pay for child care for my child(ren) who are under 12 years old. I agree to give the welfare office proof of my child care costs if they ask me.	☐	☐
Transportation: I need the welfare office to pay for my transportation to and from the assignment and to and from my child care provider. I agree to give the welfare office proof of my transportation costs if they ask me.	☐	☐
Work or Training Related Expenses: I am required to have extra things like special clothes, books or tools for this assignment. I need the welfare office to pay for these extra things. I agree to give the welfare office proof of these extra expenses if they ask me.	☐	☐
Personal Counseling: I can request personal counseling if I need it to help me with problems that affect my participation, and the county will arrange it for me if it is available under services the county already has. I need the county to arrange personal counseling for me.	☐	☐

II. COUNTY WELFARE DEPARTMENT RESPONSIBILITIES

A. The welfare department agrees to help you arrange child care if you need it to participate. The welfare department agrees to pay for your child care costs that are within the normal range of costs for child care in the area where you live. The specific child care arrangements will be kept in your case file and will be binding as part of this contract.

☐ You do not need paid child care because: ______________________________

B. The welfare department agrees to pay for necessary transportation expenses to and from the assignment, including transportation for you and your child(ren) to and from child care, based on the following rates:

☐ Public transportation: ______________________________

☐ Other: ______________________________

☐ You do not need paid transportation because: ______________________________

C. The welfare department agrees to pay for appropriate work or training related expenses.

☐ You do not have any work or training related expenses at this time.

(CONTINUED)

D. The welfare department agrees to arrange for personal counseling for you if the county determines you need it and the service is available under existing county services.

☐ You do not need personal counseling at this time.

☐ Personal counseling is not available under existing county services at this time.

E. The welfare department agrees to keep the specific arrangements for supportive services in your case file and to give you a copy of those arrangements.

III. ADDITIONAL PROVISIONS

A. I understand that I do not have to participate until the specific arrangements for child care, transportation, work and training related expenses and/or personal counseling have been made. I understand that the details of these arrangements will be kept in my case file and will be binding as part of this contract. I understand that I will be given a copy of these arrangements.

B. I understand that I must tell the welfare worker (______________________ (NAME) at ______________ (PHONE NUMBER)) any time my supportive services arrangements or needs change, and that these changes will be written down and kept in my case file. The latest arrangements agreed to between the welfare office and me will take the place of the arrangements in this contract and will be binding.

C. I understand that if I don't tell the welfare worker (______________________ (NAME) at ______________ (PHONE NUMBER)) of any changes in my child care, or in any other supportive services, the welfare office might not pay for the change in services.

D. I understand that I must keep participating in GAIN activities if I don't have a job when this assignment is finished, unless I become exempt or deferred. I understand that this contract will be amended at that time to show what my new requirements will be.

E. I understand that my cash aid may be handled by someone else, and that I may lose all or part of my cash aid if I fail or refuse to meet the requirements of this contract without a good reason. I have been told what these reasons could be.

F. I understand that I have three working days to think about the terms of this contract after I sign it. I understand that if I don't agree with the terms of this contract, I must tell the welfare worker (______________________ (NAME) at ______________ (PHONE NUMBER)) before ____________ (TIME) on ______________ (DATE). I understand that if I don't tell the worker before then, the terms of this contract are considered final. I understand that if any changes to the terms of this contract are agreed to during the three-day consideration period, the changed contract will be considered final at ____________ (TIME) on ______________ (DATE). I understand that I can take this contract to my legal aid office for advice.

PARTICIPANT'S PRINTED NAME	
PARTICIPANT'S SIGNATURE	DATE
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S PRINTED NAME	
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S SIGNATURE	DATE

STATE OF CALIFORNIA — HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES

JOB CLUB/JOB SEARCH
BASIC CONTRACT #2

PARTICIPANT NAME	
CASE NUMBER	IDENTIFICATION NUMBER
WELFARE WORKER NAME	DATE

SPECIFIC PROVISIONS

I. PARTICIPANT RESPONSIBILITIES

A. I understand that I must meet the participation requirements in this contract because:

I have had a job in the past two years;

My cash aid has not been stopped two or more times due to my employment in the past three years; and

The tests I took show that I do not have to go to school to learn to speak English, read, write or do simple arithmetic or to get a GED certificate.

B. Job Club and Supervised Job Search have been described to me.

I agree to attend

☐ Job Club for three weeks, unless I find a job first; or

☐ Supervised Job Search for three weeks, unless I find a job first.

LOCATION	SCHEDULE

I agree to accept a job if one is offered to me, unless I have a good reason not to. I have been told what these reasons could be.

I understand that I do not have to accept a job if I would end up with less income than if I stayed on cash aid.

C. I need these supportive services to participate:

	YES	NO
Child Care: I need the welfare office to help me arrange and/or pay for child care for my child(ren) who are under 12 years old. I agree to give the welfare office proof of my child care costs if they ask me.	☐	☐
Transportation: I need the welfare office to pay for my transportation to and from the assignment and to and from my child care provider. I agree to give the welfare office proof of my transportation costs if they ask me.	☐	☐
Work or Training Related Expenses: I am required to have extra things like special clothes, books or tools for this assignment. I need the welfare office to pay for these extra things. I agree to give the welfare office proof of these extra expenses if they ask me.	☐	☐
Personal Counseling: I can request personal counseling if I need it to help me with problems that affect my participation, and the county will arrange it for me if it is available under services the county already has. I need the county to arrange personal counseling for me.	☐	☐

II. COUNTY WELFARE DEPARTMENT RESPONSIBILITIES

A. The welfare department agrees to help you arrange child care if you need it to participate. The welfare department agrees to pay for your child care costs that are within the normal range of costs for child care in the area where you live. The specific child care arrangements will be kept in your case file and will be binding as part of this contract.

☐ You do not need paid child care because: ______________________

B. The welfare department agrees to pay for necessary transportation expenses to and from the assignment, including transportation for you and your child(ren) to and from child care, based on the following rates:

☐ Public transportation: ______________________

☐ Other: ______________________

☐ You do not need paid transportation because: ______________________

C. The welfare department agrees to pay for appropriate work or training related expenses.

☐ You do not have any work or training related expenses at this time.

D. The welfare department agrees to arrange for personal counseling for you if the county determines you need it and the service is available under existing county services.

☐ You do not need personal counseling at this time.

☐ Personal counseling is not available under existing county services at this time.

E. The welfare department agrees to keep the specific arrangements for supportive services in your case file and to give you a copy of those arrangements.

III. ADDITIONAL PROVISIONS

A. I understand that I do not have to participate until the specific arrangements for child care, transportation, work and training related expenses and/or personal counseling have been made. I understand that the details of these arrangements will be kept in my case file and will be binding as part of this contract. I understand that I will be given a copy of these arrangements.

B. I understand that I must tell the welfare worker (______________________ (NAME) at ______________ (PHONE NUMBER)) any time my supportive services arrangements or needs change, and that these changes will be written down and kept in my case file. The latest arrangements agreed to between the welfare office and me will take the place of the arrangements in this contract and will be binding.

C. I understand that if I don't tell the welfare worker (______________________ (NAME) at ______________ (PHONE NUMBER)) of any changes in my child care, or in any other supportive services, the welfare office might not pay for the change in services.

D. I understand that I must keep participating in GAIN activities if I don't have a job when this assignment is finished, unless I become exempt or deferred. I understand that this contract will be amended at that time to show what my new requirements will be.

E. I understand that my cash aid may be handled by someone else, and that I may lose all or part of my cash aid if I fail or refuse to meet the requirements of this contract without a good reason. I have been told what these reasons could be.

F. I understand that I have three working days to think about the terms of this contract after I sign it. I understand that if I don't agree with the terms of this contract, I must tell the welfare worker (______________________ (NAME) at ______________ (PHONE NUMBER)) before ______________ (TIME) on ______________ (DATE). I understand that if I don't tell the worker before then, the terms of this contract are considered final. I understand that if any changes to the terms of this contract are agreed to during the three-day consideration period, the changed contract will be considered final at ______________ (TIME) on ______________ (DATE). I understand that I can take this contract to my legal aid office for advice.

PARTICIPANT'S PRINTED NAME	
PARTICIPANT'S SIGNATURE	DATE
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S PRINTED NAME	
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S SIGNATURE	DATE

STATE OF CALIFORNIA — HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES

ASSESSMENT
BASIC CONTRACT #3

PARTICIPANT NAME	
CASE NUMBER	IDENTIFICATION NUMBER
WELFARE WORKER NAME	DATE

SPECIFIC PROVISIONS

I. PARTICIPANT RESPONSIBILITIES

A. I understand that I must meet the participation requirements in this contract because:

My cash aid has been stopped two or more times in the past three years due to my employment; and

Tests I took show that I do not have to go to school to learn to speak English, read, write, and do simple arithmetic or to get a GED certificate.

B. I agree to participate in an assessment of my skills and needs unless I find a job first.

I understand that the purpose of the assessment is to develop an employment plan that will help determine what kind of job services and/or training or education program is best for me.

LOCATION OF ASSESSMENT	
DATE AND TIME	NAME OF ASSESSOR OR PERSON TO CONTACT

I understand that if I do not agree with the results of the assessment, I may request that a separate review and assessment be done by another qualified person who is not connected with the welfare department.

I agree to accept a job if one is offered to me, unless I have a good reason not to. I have been told what these reasons could be.

I understand that I do not have to accept a job if I would end up with less income then if I stayed on cash aid.

C. I need these supportive services to participate:

	YES	NO
Child Care: I need the welfare office to help me arrange and/or pay for child care for my child(ren) who are under 12 years old. I agree to give the welfare office proof of my child care costs if they ask me.	☐	☐
Transportation: I need the welfare office to pay for my transportation to and from the assignment and to and from my child care provider. I agree to give the welfare office proof of my transportation costs if they ask me.	☐	☐
Work or Training Related Expenses: I am required to have extra things like special clothes, books or tools for this assignment. I need the welfare office to pay for these extra things. I agree to give the welfare office proof of these extra expenses if they ask me.	☐	☐
Personal Counseling: I can request personal counseling if I need it to help me with problems that affect my participation, and the county will arrange it for me if it is available under services the county already has. I need the county to arrange personal counseling for me.	☐	☐

II. COUNTY WELFARE DEPARTMENT RESPONSIBILITIES

A. The welfare department agrees to help you arrange child care if you need it to participate. The welfare department agrees to pay for your child care costs that are within the normal range of costs for child care in the area where you live. The specific child care arrangements will be kept in your case file and will be binding as part of this contract.

☐ You do not need paid child care because: ______________________

B. The welfare department agrees to pay for necessary transportation expenses to and from the assignment, including transportation for you and your child(ren) to and from child care, based on the following rates:

☐ Public transportation: ______________________

☐ Other: ______________________

☐ You do not need paid transportation because: ______________________

The welfare department agrees to pay for appropriate work or training related expenses.

☐ You do not have any work or training related expenses at this time.

(CONTINUED)

D. The welfare department agrees to arrange for personal counseling for you if the county determines you need it and the service is available under existing county services.

☐ You do not need personal counseling at this time.

☐ Personal counseling is not available under existing county services at this time.

E. The welfare department agrees to keep the specific arrangements for supportive services in your case file and to give you a copy of those arrangements.

III. ADDITIONAL PROVISIONS

A. I understand that I do not have to participate until the specific arrangements for child care, transportation, work and training related expenses and/or personal counseling have been made. I understand that the details of these arrangements will be kept in my case file and will be binding as part of this contract. I understand that I will be given a copy of these arrangements.

B. I understand that I must tell the welfare worker (________________ (NAME) at ________ (PHONE NUMBER)) any time my supportive services arrangements or needs change, and that these changes will be written down and kept in my case file. The latest arrangements agreed to between the welfare office and me will take the place of the arrangements in this contract and will be binding.

C. I understand that if I don't tell the welfare worker (________________ (NAME) at ________ (PHONE NUMBER)) of any changes in my child care, or in any other supportive services, the welfare office might not pay for the change in services.

D. I understand that I must keep participating in GAIN activities if I don't have a job when this assignment is finished, unless I become exempt or deferred. I understand that this contract will be amended at that time to show what my new requirements will be.

E. I understand that my cash aid may be handled by someone else, and that I may lose all or part of my cash aid if I fail or refuse to meet the requirements of this contract without a good reason. I have been told what these reasons could be.

F. I understand that I have three working days to think about the terms of this contract after I sign it. I understand that if I don't agree with the terms of this contract, I must tell the welfare worker (________________ (NAME) at ________ (PHONE NUMBER)) before ________ (TIME) on ________ (DATE). I understand that if I don't tell the worker before then, the terms of this contract are considered final. I understand that if any changes to the terms of this contract are agreed to during the three-day consideration period, the changed contract will be considered final at ________ (TIME) on ________ (DATE). I understand that I can take this contract to my legal aid office for advice.

PARTICIPANT'S PRINTED NAME	
PARTICIPANT'S SIGNATURE	DATE
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S PRINTED NAME	
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S SIGNATURE	DATE

STATE OF CALIFORNIA — HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES

ASSESSMENT AFTER JOB CLUB/ JOB SEARCH
AMENDMENT #1

PARTICIPANT NAME	
CASE NUMBER	IDENTIFICATION NUMBER
WELFARE WORKER NAME	DATE

SPECIFIC PROVISIONS

I. PARTICIPANT RESPONSIBILITIES

A. I understand that I must meet the participation requirements of this contract amendment because:

I have completed three weeks of job club or job search and have not found a job yet.

B. I agree to participate in an assessment of my skills and needs.

I understand that the purpose of the assessment is to develop an employment plan that will help determine what kind of job services and/or training or education program is best for me.

LOCATION OF ASSESSMENT	
DATE	TIME
NAME OF ASSESSOR OR PERSON TO CONTACT	

I understand that if I do not agree with the results of the assessment, I may request that a separate review and assessment be done by another qualified person who is not connected with the welfare department.

I agree to continue to look for a job until my assessment.

I agree to accept a job if one is offered to me, unless I have a good reason not to. I have been told what these reasons could be.

I understand that I do not have to accept a job if I would end up with less income than if I stayed on cash aid.

C. I need these supportive services to participate:

	YES	NO
Child Care: I need the welfare office to help me arrange and/or pay for child care for my child(ren) who are under 12 years old. I agree to give the welfare office proof of my child care costs if they ask me.	☐	☐
Transportation: I need the welfare office to pay for my transportation to and from the assignment and to and from my child care provider. I agree to give the welfare office proof of my transportation costs if they ask me.	☐	☐
Work or Training Related Expenses: I am required to have extra things like special clothes, books or tools for this assignment. I need the welfare office to pay for these extra things. I agree to give the welfare office proof of these extra expenses if they ask me.	☐	☐
Personal Counseling: I can request personal counseling if I need it to help me with problems that affect my participation, and the county will arrange it for me if it is available under services the county already has. I need the county to arrange personal counseling for me.	☐	☐

II. COUNTY WELFARE DEPARTMENT RESPONSIBILITIES

A. The welfare department agrees to help you arrange child care if you need it to participate. The welfare department agrees to pay for your child care costs that are within the normal range of costs for child care in the area where you live. The specific child care arrangements will be kept in your case file and will be binding as part of this contract.

☐ You do not need paid child care because: ______________________

B. The welfare department agrees to pay for necessary transportation expenses to and from the assignment, including transportation for you and your child(ren) to and from child care, based on the following rates:

☐ Public transportation: ______________________

☐ Other: ______________________

☐ You do not need paid transportation because: ______________________

C. The welfare department agrees to pay for appropriate work or training related expenses.

☐ You do not have any work or training related expenses at this time.

D. The welfare department agrees to arrange for personal counseling for you if the county determines you need it and the service is available under existing county services.

- ☐ You do not need personal counseling at this time.
- ☐ Personal counseling is not available under existing county services at this time.

E. The welfare department agrees to keep the specific arrangements for supportive services in your case file and to give you a copy of those arrangements.

III. ADDITIONAL PROVISIONS

A. I understand that I do not have to participate until the specific arrangements for child care, transportation, work and training related expenses and/or personal counseling have been made. I understand that the details of these arrangements will be kept in my case file and will be binding as part of this contract. I understand that I will be given a copy of the arrangements.

B. I understand that I must tell the welfare worker (______________ (NAME) at ______________ (PHONE NUMBER)) any time my supportive services arrangements or needs change, and that these changes will be written down and kept in my case file. The latest arrangements agreed to between the welfare office and me will take the place of the arrangements in this contract and will be binding.

C. I understand that if I don't tell the welfare worker (______________ (NAME) at ______________ (PHONE NUMBER)) of any changes in my child care, or in any other supportive services, the welfare office might not pay for the change in services.

D. I understand that I must keep participating in GAIN activities if I don't have a job when this assessment is finished, unless I become exempt or deferred. I understand that this contract will be amended at that time to show what my new requirements will be.

E. I understand that my cash aid may be handled by someone else, and that I may lose all or part of my cash aid if I fail or refuse to meet the requirements of this contract without a good reason. I have been told what these reasons could be.

F. I understand that this contract amendment replaces the specific provisions of the contract or amendment dated ______________.

G. I understand that I have three working days to think about the terms of this contract after I sign it. I understand that if I don't agree with the terms of this contract, I must tell the welfare worker (______________ (NAME) at ______________ (PHONE NUMBER)) before ______________ (TIME) on ______________ (DATE). I understand that if I don't tell the worker before then, the terms of this contract are considered final. I understand that if any changes to the terms of this contract are agreed to during the three-day consideration period, the changed contract will be considered final at ______________ (TIME) on ______________ (DATE). I understand that I can take this contract to my legal aid office for advice.

PARTICIPANT'S PRINTED NAME	
PARTICIPANT'S SIGNATURE	DATE
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S PRINTED NAME	
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S SIGNATURE	DATE

DEPARTMENT OF SOCIAL SERVICES

STATE OF CALIFORNIA — HEALTH AND WELFARE AGENCY

POST ASSESSMENT TRAINING
AMENDMENT #2

PARTICIPANT NAME	
CASE NUMBER	IDENTIFICATION NUMBER
WELFARE WORKER NAME	DATE

SPECIFIC PROVISIONS

I. PARTICIPANT RESPONSIBILITIES

A. I understand that I must meet the participation requirements of this contract amendment because:

I have had an assessment and developed an employment plan. Based on the results of my assessment, my employment plan shows that training in the area of ______________________ will best help me reach my goal. My goal under this program is to get a job in that area.

B. I agree to participate in the following training program(s):

TYPE OF TRAINING	
LOCATION	SCHEDULE

(Attach additional pages if more than one training program is agreed to.)

I agree to attend the training program as required, to make satisfactory progress, and to complete the program.

☐ If my assignment involves on-the-job training, supported work, or transitional employment, I agree to have my cash aid paid to my employer to help pay for my wages. I understand that as long as I participate, I will be paid at least as much as my cash aid would have been.

I understand that I have up to thirty days to request a change in assignments once the training is begun. I understand I can only request a change once. If the welfare department agrees to the change, I agree to amend the contract to reflect the change.

C. ☐ The training program that I agreed to attend does not begin until ______________. I agree to participate in the following job search activity until I begin the training program:

TYPE OF JOB SEARCH ACTIVITY	
LOCATION	SCHEDULE

D. I agree to accept any job that fits the goals of my employment plan. I understand that by accepting a job, I may go off of cash aid.

E. I need these supportive services to participate:

	YES	NO
Child Care: I need the welfare office to help me arrange and/or pay for child care for my child(ren) who are under 12 years old. I agree to give the welfare office proof of my child care costs if they ask me.	☐	☐
Transportation: I need the welfare office to pay for my transportation to and from the assignment and to and from my child care provider. I agree to give the welfare office proof of my transportation costs if they ask me.	☐	☐
Work or Training Related Expenses: I am required to have extra things like special clothes, books or tools for this assignment. I need the welfare office to pay for these extra things. I agree to give the welfare office proof of these extra expenses if they ask me.	☐	☐
Personal Counseling: I can request personal counseling if I need it to help me with problems that affect my participation, and the county will arrange it for me if it is available under services the county already has. I need the county to arrange personal counseling for me.	☐	☐

II. COUNTY WELFARE DEPARTMENT RESPONSIBILITIES

A. The welfare department agrees to help you arrange child care if you need it to participate. The welfare department agrees to pay for your child care costs that are within the normal range of costs for child care in the area where you live. The specific child care arrangements will be kept in your case file and will be binding as part of this contract.

☐ You do not need paid child care because: ______________________________

____

B. The welfare department agrees to pay for necessary transportation expenses to and from the assignment, including transportation for you and your child(ren) to and from child care, based on the following rates:

☐ Public transportation: ______________________________

☐ Other: ______________________________

☐ You do not need paid transportation because: ______________________________

____

C. The welfare department agrees to pay for appropriate work or training related expenses.

☐ You do not have any work or training related expenses at this time.

D. The welfare department agrees to arrange for personal counseling for you if the county determines you need it and the service is available under existing county services.

☐ You do not need personal counseling at this time.

☐ Personal counseling is not available under existing county services at this time.

E. The welfare department agrees to keep the specific arrangements for supportive services in your case file and to give you a copy of those arrangements.

F. The welfare department agrees to allow a change to another training assignment that fits your employment plan. A change will be allowed only once, and must be requested within 30 days of starting the training assignment agreed to in this contract.

III. ADDITIONAL PROVISIONS

A. I understand that I do not have to participate until the specific arrangements for child care, transportation, work and training related expenses and/or personal counseling have been made. I understand that the details of these arrangements will be kept in my case file and will be binding as part of this contract. I understand that I will be given a copy of the arrangements.

B. I understand that I must tell the welfare worker (______________________ at ______________)any time my
NAME PHONE NUMBER
supportive services arrangements or needs change, and that these changes will be written down and kept in my case file. The latest arrangements agreed to between the welfare office and me will take the place of the arrangements in this contract and will be binding.

C. I understand that if I don't tell the welfare worker (______________________ at ______________) of any
NAME PHONE NUMBER
changes in my child care, or in any other supportive services, the welfare office might not pay for the change in services.

D. I understand that I must keep participating in GAIN activities if I don't have a job when this assignment is finished, unless I become exempt or deferred. I understand that this contract will be amended at that time to show what my new requirements will be.

E. I understand that my cash aid may be handled by someone else, and that I may lose all or part of my cash aid if I fail or refuse to meet the requirements of this contract without a good reason. I have been told what these reasons could be.

F. I understand that this contract amendment replaces the specific provisions of the contract or amendment dated ________

G. I understand that I have three working days to think about the terms of this contract after I sign it. I understand that if I don't agree with the terms of this contract, I must tell the welfare worker (________________ (NAME) at ________ (PHONE NUMBER)) before ________ (TIME) on ________________ (DATE).

I understand that if I don't tell the worker before then, the terms of this contract are considered final. I understand that if any changes to the terms of this contract are agreed to during the three-day consideration period, the changed contract will be considered final at ________ (TIME) on ________ (DATE). I understand that I can take this contract to my legal aid office for advice.

____
PARTICIPANT'S PRINTED NAME

____
PARTICIPANT'S SIGNATURE DATE

____
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S PRINTED NAME

____
COUNTY WELFARE DEPARTMENT REPRESENTATIVE'S SIGNATURE DATE

APPENDIX B

WIN DEMONSTRATION PROJECTS*

1. Arizona

The Arizona WIN Demonstration began June 1, 1982. The major feature is a three week intensive employment search workshop. The first week focuses on building confidence and self-esteem; the second week on developing good interviewing skills; and the final week on ways of identifying potential employers and the use of the telephone in scheduling job interviews. Those who are not successful in finding a job in this three week period receive a vocational and academic assessment. The results of this assessment and the judgment of the local office determine the selection and sequence of subsequent components. These other components include job motivation workshops and marketable skills training.

Effective May 1, 1982, Arizona began operating a section 1115 research and demonstration waiver project that allows the Department of Economic Security (DES) to require registration by parents with children between the ages of three and six years.

2. Arkansas

The Arkansas WIN Demonstration, also known as Project Success, began on September 30, 1982. Project Success emphasizes immediate and continuous job search. Each county Project Success unit requires recipients to participate in Job Club, Job Search, and, in those counties that offer it, Work Experience. Job Club is generally the initial component assignment. It provides group employment counseling and training in effective job search techniques in five to ten three hour sessions. Recipients who are still unemployed after completing Job Club are assigned to Job Search to continue actively seeking employment. After completing Job Search, participants may be assigned to a Work Experience position. In the Work Experience component, registrants are involved in developing job skills and improving work habits through unsalaried job training. Registrants may work up to 30 hours per week for a maximum of 12 weeks for each Work Experience Assignment.

In conjunction with its WIN Demonstration, Arkansas operated a section 1115 research and demonstration waiver project that permits the State's Department of Human Services (DHS) to require mothers with children between the ages of three and six years to register for Project Success unless otherwise exempt.

*Prepared by the Department of Health and Human Services

3. California

The California WIN Demonstration project began January 1, 1985, and is operational in 32 counties, comprising 95% of the State's caseload. The objectives of the program are to increase the number of AFDC registrants who receive employment services; to increase the number of registrants who enter employment; and to decrease WIN-related quality control errors. County welfare departments register and assess participants; the State Employment Development Department, under contract, prepares employability plans for each participant and conducts job search workshops. In six counties, applicants are referred to a five-day job search workshop, followed by a maximum of ten days at the phone bank and, if necessary, up to 40 days of independent job search. In the remaining counties, recipients are referred to a three-day job search workshop, followed by up to 40 days of independent job search. During the individualized job search period, employment specialists specify each individual's minimum job search contacts based on the local labor market and the individual's skills and circumstances.

In San Diego, the "Saturation Work Initiative Model" (SWIM) is testing the impact of involving at least 75 percent of WIN registrants in various work and training activities, including job search, CWEP, and training. The project is in its third year.

California is currently implementing the GAIN (Greater Avenues for Independence) program, a waiver-only 1115 project. GAIN proposes to provide work-related activities and services to all employable welfare recipients and to require their ongoing, open-ended participation in one or more work activities until they are employed. The program uses a case management approach of close contact with the participant and ongoing monitoring of activities.

Under the program, each county is responsible for developing its own work program design. Within two years, the county must submit a plan which is then subject to the approval of the State. It is currently operational in 9 counties, and must be implemented statewide by September 1988. The total eligible caseload must be served by September 1990. County plans must include a minimum array of services including a variety of job services such as job search, training, work experience, education, and support services. Specific participation and service requirements for participants are established in individual contracts between registrants and the county.

With certain exceptions, registrants are expected to participate in job search first. Where this is unsuccessful, employment goals are established, and education or training is normally provided.

Child care is provided for program participants and for former recipients who have recently transitioned into regular employment.

The program provides a broad definition of "good cause" for failing to participate and an extended conciliation period prior to the imposition of a sanction.

4. Connecticut

The Connecticut WIN Demonstration, "The Job Connection," began on October 1, 1985. It is operational statewide and serves all applicants and recipients. Department of Human Resources staff interview each client, gather the necessary data to design the employability plan, arrange for any necessary supportive services, and refer participants to the Department of Labor for individual or group job search or referral to training and education. The State Department of Income Maintenance also operates job search statewide, focusing on unemployed parents, and grant diversion in four districts, focusing on long-term recipients.

The State also operates a voluntary program for long-term recipients (10 years or more) emphasizing remedial education and training.

5. Delaware

The Delaware WIN Demonstration began on April 1, 1982. Applicants and recipients who are registered and assessed for the WIN Demonstration may participate in any of the following program components: Job Factory; Job Readiness Training, Work Experience; Education or Training; or Independent Job Search (IJS). There are also three separate programs that target services to groups with particular needs. The State's Job Factory component was closed temporarily in February, 1985, but reopened in January, 1986.

6. Florida

The Florida WIN Demonstration began on April 1, 1982. The program includes Orientation, Job Search and Job Club, and education and training activities. Program emphasis centers on individual and group Job Search, OJT, and vocational training.

The State has increased the emphasis on use of Job Clubs for direct job entry of recipients in jobs, rather than on the earlier combination of training and placement.

Florida began operating a Grant Diversion program called TRADE in October of 1983. Operating in conjunction with the WIN Demonstration and the State's JTPA, Grant Diversion places recipients in OJT positions that are expected to convert to unsubsidized employment.

7. Georgia

The Georgia WIN Demonstration began January 1, 1985. It is operational in 7 urban counties. Participants are first assessed to determine job readiness and barriers to employment. Those deemed job-ready enter structured independent job search, group job search, or job club for two months. If the participant is still not employed, he or she is reassessed. Those who are not job ready may enter institutional training (such as JTPA), on-the-job training, or CWEP. The State contracts with Employment Services for employment and support services.

8. Illinois

The Illinois WIN Demonstration began July 1, 1982. The central feature of the program is Independent Job Search (IJS). Participants are required to contact twenty employers each month and to spend at least one day every other week in the office to confirm contacts and improve job search techniques. The IJS activity continues for at least two months unless a participant obtains a job sooner. For those not finding a job, a more detailed employability assessment follows IJS participation. The assessment determines the sequence of components, including educational training, Job Clubs and Work Experience.

In February 1984, the State added a regular work experience component called the Illinois Work Experience Program, or IWEP. Assignments in IWEP are limited to the regular maximum WIN duration of 13 weeks.

The State has added two educational components: adult basic education and employability skills training. The adult basic education component, conducted by the State's public school system, is available for those lacking a high school diploma. The employability skills curriculum, conducted by the State's community colleges, is a week-long intensive orientation to the world of work. It is offered selectively after the first week of IJS where an individual need has been identified. Funding and technical assistance are provided by the State's JTPA program.

9. Indiana

Indiana's WIN Demonstration started September 30, 1985, and operates in 24 counties. Certain functions are provided under contract by the Employment Services Department; others by the Department of Public Welfare. After an assessment of job history and skills, education, and necessary support services, participants enter job search or other activities, such as work experience or classroom training (including basic skills, GED, or short-term vocational training). The State makes a special effort to coordinate with education and training offered through the vocational and technical education system and JTPA.

10. Iowa

The Iowa WIN Demonstration began September 30, 1983, in the same 47 counties in which the State has operated its Individual Education and Training Plan (IETP) since 1969. Iowa's WIN Demonstration consists of two models that operate in different parts of the State: the WIN model and the Coordinated Manpower Services (CMS) model. Services in the WIN model are provided jointly by the Iowa DHS and by the Job Service under contract to DHS. Services in the CMS model are provided solely by DHS. The principal difference is that the WIN model includes significant individual job search, while the CMS model includes work experience assignments. In both models, classroom training is provided when necessary through IETP. Also offered is a Job Club, a structured four-hours-per-day, four-week course. One week is training and three weeks are active telephone employer contacts.

The service group priorities start with primary earners in Unemployed Parent cases, and proceed to volunteers, all other unemployed registrants, and those already employed part-time.

11. Maine

The Maine WIN Demonstration began April 1, 1982. The program is operated as a component of the State's Welfare Employment, Education and Training (WEET) program. The program concentrates on job preparation and training. These activities may vary locally and include institutional training provided by colleges, vocational or remedial education, or on-the-job training. Job Search activities are reserved for those who are assessed as being job ready.

Effective October 1983, Maine implemented a Grant Diversion program entitled "Training Opportunities in the Private Sector" or TOPS. Grant Diversion is run jointly with JTPA, although the level of JTPA involvement varies among the regions in the State. Selection of participants for Grant Diversion centers on single mothers who are unemployed at registration and have been AFDC recipients for at least six consecutive months at program entry. Participants are provided with prevocational training, and field training (up to twelve weeks in a work experience assignment, with the support of Training Related Expenses) as appropriate. They are then placed in private sector on-the-job training positions that are expected to become unsubsidized employment at the end of six months.

12. Maryland

The Maryland WIN Demonstration began on September 30, 1982. Baltimore City and Wicomico County operated under the WIN Demonstration while the remaining counties continued to operate the regular WIN program. The two WIN Demonstration counties were allowed to choose from among the following components: Job Club, institutional training, work experience, and on-the-job training. Also operating in Baltimore City and Wicomico County is a section 1115 research and demonstration waiver project called the Employment Initiatives Project. Its purpose is to test an alternative work program that offers a menu of employment activities for the participant provided through a consolidation of local resources from title IV-A, social services, and employment service agencies.

13. Massachusetts

The State's original WIN Demonstration began in April, 1982, and was called the Comprehensive Work and Training Program, or WTP. Its central feature was known as Diversion and included four alternatives: direct job entry, supported work, education or training, and a five-week job search. Those not regarded as suitable for the first three alternatives were placed directly into the five-week job search.

A major redesign of the State's WIN Demonstration resulted in the E.T. (Employment and Training) program, which began in October, 1983. Under E.T.:

1) The State appropriated a major expansion of State funds, principally for child care.

2) WIN mandatory recipients must register with E.T., as with the former WIN program. However, the State now emphasizes voluntary aspects of participation in E.T. by drawing attention to the several choices participants have among the program components, based on their own employment goals. These include basic education, skills training, job referral, career counseling, and supported work services.

3) The State instituted an extensive marketing approach to both the employer community and the welfare recipient community to increase the level of employment for welfare recipients.

4) The DPW negotiated performance-based contracts for various

training and placement services with other State and private agencies.

14. Michigan

The Michigan WIN Demonstration program, known as the Education and Training Program (ETP) began April 1, 1982. The program changed the emphasis in WIN from traditional job development and job placement to a new emphasis on self placement. The primary assignment was to structured Job Search or Job Club lasting up to four weeks. Those who were unemployed at the conclusion of this assignment are screened by ETP for assignment to adult basic education, other classroom vocational training, or CWEP. The counties have been free to vary this basic sequence and to develop their own additional work or training components. CWEP is frequently used prior to Job Search or Job Club to update or establish a work history.

The Michigan CWEP program also began April 1, 1982. In addition, since March 1, 1982, Michigan has operated a section 1115 research and demonstration waiver project. The original set of waivers included permitting the State's Department of Social Services (DSS) to require registration with ETP by three additional groups of recipients: 1) mothers with children between the ages of six months and six years unless otherwise exempt; 2) those employed more than 30 hours per week; and 3) second parents in AFDC/UP cases. The waiver project also permitted the State to sanction those who quit or voluntarily reduced their hours on a job.

Effective June 1, 1985, the State received approval for two changes in its section 1115 research and demonstration waiver project. First, the registration requirement for second parents in AFDC UP cases was dropped. Second, a registration requirement was added for 16-to-20 year old recipients not in school and without a high school diploma or GED.

The State passed legislation in early 1984 that significantly altered both exemption and participation criteria not only for the State's WIN Demonstration, but also for several work programs for GA recipients. The legislation also changed the focus of the programs to more vocational rehabilitation and skill training, and shifted participation criteria to the harder-to-employ. The new program was called the Michigan Opportunities and Skills Training, or MOST, and became effective in April 1984. MOST established a series of explicit exemptions from mandatory participation (not from registration). These participation exemptions included:

a. three or more minor children under age 16;
b. over age 55;
c. youngest child under six months of age;
d. participation in a substance abuse rehabilitation program;

e. resident in a mental institution within the last five years;
f. in prison within the last two years;
g. already participating in job training or education approved by DSS.

The MOST legislation also established participation criteria for selected groups. For instance, mothers between the ages of 16 and 20 (now required to register under a provision of the State's section 1115 waiver project) who lack a high school diploma are directed exclusively to educational activities for job skills or a GED, if child care is available. Finally, the MOST legislation authorized both a Grant Diversion program under section 414 of the Social Security Act, and a teenage pregnancy prevention program. These are operated in conjunction with the State's WIN Demonstration. Effective October 1, 1985, the State initiated its Grant Diversion program in eight counties.

15. Nebraska

Nebraska's WIN Demonstration began in October of 1982. The program concentrates on Job Search. Individual Job Search participants are required to make six employer contacts each week, and to visit the office one day each week to confirm the contacts. A more structured Group Job Search component includes a one-week workshop that prepares participants for employment, followed by a week of telephoning employers to arrange job interviews. Other components include remedial education, training and OJT. The State leaves to the counties the determination of sequence of components.

There has been extensive cross-training of staff in order to facilitate the State's expansion of coverage without major staff increases. While the variety of components has not changed since the first year, the program's emphasis has been shifted towards Group Job Search.

In May 1985, Nebraska began operating its "Job Support Project" under a section 1115 research and demonstration waiver. This project allows the DSS to require registration by parents with children between the ages of three and six years. The project is expected to enlarge the State's mandatory registrant population by 15 to 20 percent. The State expects an increase over time in the levels of job entries of about 25 percent.[2]

16. New Jersey

The New Jersey WIN Demonstration began on October 1, 1982. Each county must operate components that include Group Job Search, OJT, and Work Experience. Each county then determines appropriate component structure and usage. Thus, in six counties Job Search is usually the initial component, while in the other seven counties, it is selectively assigned after an employability assessment.

In September 1983, the State received approval to operate a section 1115 research and demonstration waiver project for a Grant Diversion program in four counties. Five additional counties later asked for and received State authority to implement this component. Participation in Grant Diversion since its inception has exceeded 200 registrants. Of the 50 percent who complete Grant Diversion, nearly all convert to unsubsidized employment.

17. New York

The New York WIN Demonstration began May 1, 1985, and is operating in nine counties and New York City (together comprising 85% of the State's caseload). The State Department of Social Services contracts with the State Department of Labor for employment and training services. After appraisal and development of an employability plan, recipients may participate in supervised job search, job clubs, vocational counseling, institutional training, WIN-OJT, WIN work experience, training, or unsubsidized employment. In addition, the State has CWEP in 20 counties and has an 1115 project to operate grant diversion in 36 counties.

New York is also operating a Modified WIN (ModWIN) 1115 project in 27 counties not under WIN Demo. Under ModWIN:
- There are no mandated support services
- There is a 120-day limit on enrollment and registration
- State criteria for employability, rather than WIN criteria, apply
- There is a minimum of paperwork and streamlined procedures.

18. Oklahoma

The Oklahoma WIN Demonstration began on January 1, 1982, as the Oklahoma Employment and Training program. The State combined its WIN Demonstration with a CWEP program. In April, 1983, the State's Department of Human Services (DHS) added a title IV-A Job Search program for the entire State. The State retained several of the regular WIN components, including Orientation, Job Search, OJT, and Vocational Training. The State has operated a section 1115 research and demonstration waiver project in conjunction with the WIN Demonstration. The waiver permits the DPW to require mothers with children under age 6 to register unless otherwise exempt. The State estimates that this waiver provision accounts for approximately 65 percent of all registrants on hand, and for a similar percentage of all of the WIN Demonstration job entries. The State added a Grant Diversion program effective December 1, 1986, with an initial annual objective of 500 participant positions.

19. Oregon

The Oregon WIN Demonstration began January 1, 1982. The major feature of the program is job search for AFDC applicants and recipients. Applicants are required to participate in job search activities (up to 45 days) as a condition of eligibility for AFDC. Recipients are required to participate in job search for unlimited periods of time with a two-week break every six months. AFDC recipients in a self-financed training program may be suspended from job search for up to 92 days (with exceptions up to one year). Job Search is preceded by a program orientation and employability assessment where an action plan is developed and signed by each registrant. The action plan is updated biennially. Other activities available to WIN Demonstration registrants include referrals to JTPA training and OJT.

Oregon continues to operate its section 1115 research and demonstration waiver project entitled Coordinated Job Placement Project, or CJPP. The CJPP makes job search mandatory for applicants and requires WIN Demonstration registration for mothers or other caretaker relatives with children between the ages of three and six.

Effective January 1, 1984, a short term training activity called "Preparation for Guaranteed Employment" was implemented for registrants deemed to be relatively hard to place.

Effective March 1, 1985, the CJPP was amended. A section 1115 research and demonstration waiver was approved that allows Oregon to include a 30-day fixed sanction period for failure to participate without good cause. If the registrant agrees to participate during the sanction period the AFDC grant may be restored.

20. Pennsylvania

The Pennsylvania WIN Demonstration began September 30, 1982, as the Work Registration Program, or WRP. The program established a six month cycle designed to be repeated by all mandatory registrants until they become exempt or leave AFDC. A major purpose was to avoid the State's difficulties in the former WIN program with large numbers of unassigned mandatory recipients.

The State's WRP cycle starts with two sequential fifteen-day periods of Job Search. The first was operated by the State's Office of Employment Security (OES). The second segment was called Pennsylvania Employables Program, or PEP, and was operated by county welfare offices for those who did not get a job during the first segment. The PEP operation originally included two tools not available to the OES segment: contract use of private employment agencies; and an authorization from the State for a State income tax credit analogous to the federal Targeted Jobs Tax Credit.

The State began operation of a CWEP program in March, 1983. A five-month assignment to CWEP is standard for recipients who had not gotten a job in either of the fifteen-day job search activities. Those still on AFDC at the end of the sixth month are recycled as new WRP registrants, to repeat the six-month program.

Operating concurrently with WRP is a section 1115 research and demonstration waiver project which:

1. tightens the standard illness and incapacity exemption

2. requires recipients otherwise designated as remote from a WRP site to accept locally available jobs;

3. change the sanction periods from 3 and 6 months, respectively, to 2 and 3 months.

In addition, the State has been operating a saturated work program in Philadelphia to test the effects of requiring participants to be active in a range of work activities. The project is in its third year.

21. South Dakota

The South Dakota WIN Demonstration began on April 1, 1982. Registrants are first assigned to 60 days in Job Search. Those who do not find a job are then assigned to specific work sites in the State's CWEP program. The State also retains the former WIN components of OJT, and uses a "Suspense" status to keep the recipient registered with the Demonstration for the duration of the non-WIN work activity, for eligibility and reporting purposes.

The State has added to their OJT program a Job Related Education option designed to enable participants to acquire or develop skills to enhance their value to their OJT employers. Apart from CWEP participants, the State will now make available a $3.00 per day training allowance for up to 10 days when there are identified travel difficulties or limited economic resources.

22. Tennessee

Tennessee's WIN Demonstration, the VICTORY Network Program, began October 2, 1985, and is operational in 40 counties. In certain counties the Department of Human Services provides the program services, while in others the Department of Employment Security or JTPA provides the services under contract to DHS. After assessment, job-ready participants enter individual job search, job clubs, or OJT. Those who are not job ready may be referred for GED testing, purchased skill training, work experience, OJT, or JTPA training.

Literacy assessments are available in some counties through the Adult Basic Education Department. In addition, Shelby County has a special linkage with the Memphis school system for intervention with young school dropouts.

23. Texas

The Texas WIN Demonstration began on March 4, 1982. The primary component is called Independent Job Search, and concentrates on individual employment counseling and direct placement. Group Job Search, or Job Clubs, previously used in the regular WIN program, were retained only in a few of the larger offices, due to lack of space and limited staff. A period of initial job search, varying in duration with the individual needs of the participants, is a requirement in some offices for virtually all applicants, with necessary assistance provided from the Texas Employment Commission (TEC) or the Department of Human Services (DHS).

The title IV-A Job Search program that began as a thirteen county pilot in April 1983, became a statewide program as of October 1, 1984. This program is separate from the WIN Demonstration, but in WIN Demonstration counties provides job search activity support. The State also uses private for-profit and non-profit job placement services on a contract basis for additional job search services.

24. Virginia

Virginia's WIN Demonstration, the Employment Services Program (ESP), began January 1, 1983, for applicants, WIN-mandatory recipients, and volunteers. The components are individual or group job search (up to four weeks, to be repeated every six months), work experience, and education and training (such as JTPA training, basic education and GED preparation, or privately operated training programs). The work experience component focuses on the development of work habits, positive work attitudes, and understanding of the employer-employee relationship. After 13 weeks of work experience, participants are reassessed and may be reassigned to work experience or to another component. Registrants referred for further education or training must complete this activity within the shortest time possible, generally no longer than one year.

25. West Virginia

The West Virginia WIN Demonstration began on September 27, 1982. Since its inception, the program has concentrated on Work Experience, as well as Job Search, and has fewer training activities as compared to the predecessor WIN program. The State had initiated a CWEP program in January of 1982. It became an integral part of the WIN Demonstration, and has been by far the State's largest initial program component. The State also retained three of the WIN components: Job Search, OJT, and Vocational Training. Recipients with a recent work history or high school completion go directly into this job search.

In July of 1983, CWEP was expanded to include WIN mandatory single heads of households. At the end of 1984, CWEP was further expanded to include volunteers. Previously, CWEP had been used primarily for registrants from AFDC-UP cases.

26. Wisconsin

The Wisconsin Employment Opportunities Program (WEOP) was implemented on September 30, 1985. The Department of Health and Social Services (DHSS) administers WEOP but has subcontracted with the State's Job Service to provide WEOP services. In addition, DHHS subcontracted with the State's Department of Vocational Rehabilitation and seven community based non-profit agencies to provide WEOP services in twelve counties not covered by Job Service offices. Phase I of WEOP is a 3-to-5 hour job search skills workshop, and eight weeks of independent job search with a mid-point progress conference. Phase II is for those who do not find a job in Phase I, and involves eight weeks of Group Job Search Activity, beginning with a five-day Job Club session, and including daily contact between recipient and WEOP staff.

Senator **Moynihan**. A very good morning to the one-time Governor of the State of Washington, who has arrived despite all the obstacles the weather has put in his way. I would like to welcome you all to this first meeting of the new Subcommittee on Social Security and Family Policy.

I am constrained to note that we will be addressing the issue of child welfare this morning. And in the best tradition of our committee, there is scarcely anyone present.

There are 30 seats in the first three rows of our hearing room here in the Finance Committee. I observe that there are eight persons sitting in them. So, we know we are not discussing capital gains. [Laughter]

Even so, we are discussing something of much greater consequence, and I am going to ask the patience of Senator Evans so that I may read an opening statement about the new committee and its very special responsibilities in this 100th Congress. I would like to welcome those new members who are able to be present and especially, of course, the Republican leader, Bob Dole, who will be the ranking Republican member of our Subcommittee.

A few weeks back many of us who watch television news encountered the term "sysygy," by which astronomers describe a rare alignment of the sun and the moon and the earth, which causes all manner of natural wonders. And I would offer the observation: with Bob Dole from one of the most innovative of our local states legislators who is going to tell us about California.

As I said, I would like to just read that statement that Governor Clinton has made which seems to me to summarize a general sense. He says:

> What we want to do is turn what is now primarily a payments system with a minor work component into a system that is first and foremost a jobs program, supported by an income assistance component. Our proposal focuses on education, training and employment for the families now dependent on the welfare system, along with a decent living standard with which these families can support their children while they strive for self-sufficiency.

I think this captures a general point of turning this program upside down, the program that began with a grant that was intended to be sufficient to maintain a widow and children, established in 1935 as part of the Social Security Act, has become a program to provide for a very large population, of which only a tiny fraction—fewer than 5 percent—are in fact widows, and the rest of them are simply, in the main, mothers who are alone, trying to support children, and somehow make a way for themselves in a situation that has never really had comparable currents in American history.

We now have a situation where the majority of American children will live part of their life in a single-parent home; only a minority of children born today will reach 18 having lived with their two natural parents all their lives. That traditional American family isn't there. And our concern is, how do we make the present arrangements work better for the children?

We are honored today to have Assemblyman Art Agnos from California. You were going to speak with Senator John Larson, who is President Pro Tem of the Connecticut State Senate. He is not here, and I don't know that he can get here, but you are, sir, and we have heard a great deal about the GAIN Program in California, of which you are the principal architect, and we welcome you to testify on what you are doing out there and what you think we ought to do here.

STATEMENT OF THE HONORABLE ART AGNOS, CALIFORNIA STATE ASSEMBLY, DISTRICT 16, SAN FRANCISCO, CA

Mr. AGNOS. Thank you very much, Senator. It is an honor for me to be here. I am one of those San Francisco Democrats you may have heard about in last year's election. I am also the Chairman of the Joint Oversight Committee on Gain Implementation, a statewide, full-blown welfare reform program that we have put into place in California.

I have submitted written testimony.

Senator MOYNIHAN. Which will be put in the record.

Mr. AGNOS. Thank you.

I am very proud of what we have done in California, because we put aside the partisan rhetoric that has always surrounded and retarded any welfare reform (at least in California). The result is a bipartisan program known as GAIN, Greater Avenues to Independence. It is a state-of-the-art program which offers training, education and child support in the best and most complete blend we could develop in our state, centered around the fundamental need for meaningful work and dignity.

We used the very best knowledge available from Republicans and Democrats, liberals and conservatives, and we especially benefitted from the pioneering state, that is Massachusetts, my home state. In fact, Governor Dukakis was almost like a personal tutor to me while we were working on the legislation in our state.

What is noteworthy in California, I think, which may be different from what you will see or hear about in other states is that we have a state legislature, both the Upper and the Lower House, the Assembly and the Senate, which is dominated by Democrats and sort of leans to a liberal and certainly, at minimum, a moderate Democratic base. And we have as our chief executive a very conservative Republican; and yet we put together this program with bipartisan support. I think it offers a great deal to the country.

First, we included all of the components that experts tell us are necessary for any meaningful welfare reform. Second, the program is a mandatory one for all recipients, but the obligation does not rest solely with the client; the state also has an obligation to provide the services they need, or the clients do not have to participate. That is written into the law.

Third, we target long-term welfare recipients. We focus on those who have been on welfare the longest. Fourth, we encourage local communities or counties to develop a GAIN program that suits their individual needs. I would like to elaborate on each of those points, if I may.

First, GAIN has all of the components that experts tell us are necessary for any meaningful welfare reform, such as remedial education, child care, professional counseling and assessment to determine an employment plan, employment training programs designed to lead to jobs—not merely certificates of completion—and a redefined first-of-a-kind workfare program. Two choices for child care must be available or the client does not have to participate in the program.

It also has four innovations that are not found anywhere else, to our knowledge.

First, we empower GAIN recipients with a legally-binding contract between the clients and the welfare office itself. The contract spells out what services the welfare office will provide to clients, as well as what the client's obligations and responsibilities are under the program. When both are satisfied with the negotiations they have reached, both sign the contract in order to proceed with the program. What the contract does is hold both sides accountable for their decisions, both the welfare office and the recipient.

Second, we redefined "workfare" in California. As you know, it has traditionally been seen as, at worst, a punitive make-work component of a welfare reform program. In California we have made it a positive, part-time, on-the-job experience, to maintain newly-acquired skills through the educational or training program they have already completed.

In academic terms, I suppose you could refer to our workfare program as a fellowship or an internship after someone has completed their education aimed at a job. For example, if someone who trains to be a computer operator, hasn't found a job after 90 days of completion of the training. GAIN places them in a fellowship where the client works with computers until they find a job. That way they don't lose those skills.

If the workfare assignment is not in the area that the person trained for while they were going through their training component, they don't have to accept it. And that is written into the law as a guarantee.

Third, we modified the sanctions process (which has always been a thorny one for us) so that they would be more humane and more appropriate to the degree of noncompliance, through a phased-in or incremental program.

Our unique vendor payment system is designed to give persons a second chance, not simply to add to their misfortune or punish children who are the ultimate victims of their parents' unwillingness to participate in any kind of program.

We set up a process of impartial arbitration, so that clients would not be forced into a career that is not their choice. Disagreements over a career choice between a client and the worker are decided by a third party, an independent arbitrator, who is paid by the state but not in any kind of a state-employment workforce.

We developed these four elements in response to our particular needs; however, I think they represent important fundamental principles of fairness and accountability that should be incorporated into any kind of program around the country. I believe GAIN is a model program because it places the client on an equal footing for the first time, at least in our state, with the welfare department.

I have often heard that welfare recipients must be held accountable, that they should have a sense of obligation and must meet their responsibilities to society; but we forget that that responsibility cuts both ways. With GAIN we have balanced out that equation. We have made the program mandatory, but we have also acknowledged that the state has a responsibility to provide the welfare recipient with the tools and the support services necessary to become competitive within a labor market. The law says that if the state cannot afford to pay for the services that are necessary to help people find employment, then we will not reduce—we will not reduce—the services but we will reduce the number of people going through the program, so that fewer people will still have full access to all of the services.

Third, GAIN targets long-term welfare recipients, people who have been forgotten by the system. For too long, many of the programs we have seen are allowed to, as we say, "cream" the very best and most highly motivated for employment. In GAIN, persons who have been on aid two years or more get the top priority for the expensive services that are in the program.

We decided to focus our program where it is needed the most and where we think we will get the biggest bang for our dollar, helping those who have been in the web of dependency for the longest.

Fourth, GAIN provides for local flexibility so that communities can tailor programs to suit their own needs and their own local labor market.

We are just beginning to implement GAIN in California. Ten counties which are currently operating have budgets totalling some $52 million in our state, and they expect to serve some 37,500 welfare recipients. They are doing that right now. Just to give you some sense of proportion, that number, a little more than 37,000, is larger than our model State of Massachusetts, entire caseload. By 1990, when the program is expected to be fully operational, we expect to be spending some $400 million and serving some 280,000 welfare recipients. This means that GAIN will be spending more in California than the Federal Government spent for the WIN Program during its peak years.

Our counties have been in operation, as I said, since July 1 of last year, 1986, so I don't have any startling numbers of wonderful achievements that we have accomplished yet. But we do have some snapshots of what is available. Also, I believe we are the first program in the country to have hired an independent outside research firm, MDRC, which you will be hearing from later—not about our program yet—but we are willing to risk that kind of rigorous, independent and scientific evaluation. The state is paying for it, and we are anxious to see how that turns out.

The snapshots that I would share with you today, Senator, are:

First, I think we are learning more about our AFDC recipients than we have ever learned before, as the result of this program.

Fully one-half of our caseload needs remedial education. They simply don't know how to read or write well enough in order to find successful employment. We never expected that almost 50 percent would need that kind of remedial education. It is a very expensive and sometimes lengthy process.

Second, among the clients who are not required to participate—for example, those who have children under the age of six—we are finding that some 10 to 15 percent of the caseload are volunteering; that is, mothers with children under the age of six are volunteering because they sense there is something there that is useful to them.

Also, we are finding that the mandatory nature of the program is proving to be an asset for long-term recipients. To be very honest with you, when they have been on welfare for a long time they have lost a sense of hope, a sense of interest in trying. And when it is mandatory—in other words, they are required to come in—they are finding the kind of self-esteem, the kind of renewed hope that the program offers them, and they are finding jobs. They are telling us that, were it not for the mandatory nature of the program, they wouldn't have done it, they would have been afraid to try, or they just didn't have the confidence to do it on their own.

Third, experts all over California who have never met before, who are supposed to be working on this problem, are finally sitting down and dealing with it for the first time—people from the educational arena, the employment arena, obviously the welfare professionals, job-developers, clients groups, and employers. They are finally getting together in the same room under the same roof for the first time.

GAIN has given people in California, especially those of us who work on this subject, a lot of hope. Employers are looking forward to trained workers, clients to meaningful jobs, and welfare professionals to the opportunity to really try to cure poverty rather than just clerk it.

So far, it is doing well, but we can't do it alone, Senator. We believe the Federal Government has several areas where it can be helpful:

First, by defining remedial education as an allowable activity under the regular AFDC Work Program funded by Title IV(a) of the Social Security Act. For many, remedial education is a necessary step to employment. As I said, if they can't read or write, we can't even begin to train them. Although WIN will pay for this activity, it is so underfunded that, in our state at least, we are winding up paying for most of it ourselves.

Second, by allowing states to share in all of the savings associated with long-term welfare recipients getting off of welfare, I think it would increase the states' incentive and motivation.

Senator Kennedy, who is on your agenda today, has proposed bonus payments in JTPA for states serving long-term welfare recipients. We support that proposal in California, but we also recommend that it be expanded beyond JTPA so that states can share in the actual grants savings that result from their efforts with long-term recipients. That would be a very powerful incentive.

Third, by giving states needed flexibility to operate their programs, we think in California we could do an even better job. We have the "100-Hour Work Rule" that the Federal Government requires. We find that to be a disincentive for those who want to accept part-time employment, because once they go over 100 hours, they are automatically off of welfare.

Senator MOYNIHAN. The AFDC program?

Mr. AGNOS. That is right.

Federal policy requires that a family grant be discontinued when the unemployed father works more than 100 hours a month, and as a result we don't even have a chance to get him started, because they simply can't make it on that arrangement.

Early results of a California Refugee Demonstration Program, where we did waive the 100-hour rule with our time-eligible Southeast Asian refugees, have been successful. We find that people did get started in a part-time or entry-level job and merely supplemented their income with a partial grant. Once they were no longer eligible for RDP, the 100-hour rule would again apply. That is, a part-time job, if over 100 hours a month, made them ineligible for welfare and they couldn't make it on a part-time wage. In many cases, they returned to welfare.

We asked for a waiver of this rule. It was denied by the Department of Health and Human Services. We would like you to reconsider that in the legislative body to see if you couldn't help us with that.

I think that completes my testimony—I have gone a little over time, and I would be happy to answer any questions.

Senator MOYNIHAN. Well, first of all, congratulations. I don't think we have anywhere heard of such a complete idea being implemented. You say you have 10 counties, about a tenth of your expected caseload, which will be fully involved in the GAIN program by 1990?

Mr. AGNOS. By 1990 our entire caseload in California, which is somewhere around 225,000 recipients, will be on line.

Senator MOYNIHAN. So, you are just going to bring the program on line, step-by-step?

Mr. AGNOS. That is right.

Senator MOYNIHAN. You have asked the MDRC to come out and track what you are doing and tell you how you are doing. You begin with this idea that the Governors are talking about, the idea of a social contract where the individual has responsibilities and society has responsibilities.

Mr. AGNOS. Absolutely.

Senator MOYNIHAN. And you sit down across a table and you sign a piece of paper.

Mr. AGNOS. That's right. What happens is, as soon as the welfare recipient comes in, the first things that are straightened out are whether they are eligible, how much they are eligible for, what their food stamps are, their medical benefits, and all the rest. And then they begin to discuss what their employment goals are and how they can get there with the kind of training and child care that are available. Once they reach agreement in that negotiation, it is written down in the contract, and both sides sign it as an indication of their agreement.

We have a three-day cooling-off period, so if the welfare recipient, for example, goes home and somebody says, "My God, that was crazy; what did you do that for?" they can go back and change it without any kind of recriminations. We think that is important.

Senator MOYNIHAN. And you have arbitration?

Mr. AGNOS. That's right, we have arbitration in the case where there is a disagreement. Usually the appeals process is within the welfare department, so the recipient feels it is a stacked deck against them. So, we put in the impartial outside arbitrator so that the recipient would feel confident that there would be some neutral, independent, outside body. And so, for the first time at least in California, the welfare department is giving up control of the destiny of that welfare recipient as it relates to an employment choice, so that we can create that kind of credibility in the program. But I think it is necessary for recipients to believe in it.

Senator **Moynihan**. Sir, I wish we could have all morning to hear about this. We have your testimony. Your colleague or neighbor up the coast, Governor Gardner, is here, and I want to see that he has a chance to testify.

You mentioned specifics of waivers and even of legislation that California would be interested in from Washington. Could you give them to us in a formal letter, to this Committee?

Mr. Agnos. Yes, I would be happy to do that.

Senator **Moynihan**. And to Senator Kennedy here as well? That really is impressive.

Mr. Agnos. Thank you.

[The information follows:]

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March 5, 1987

Honorable Daniel P. Moynihan
464 Russell Building
Washington, D.C. 20510

Dear Senator Moynihan:

I want to thank you for the invitation to speak before your subcommittee last week. Your long history of involvement in this issue clearly makes you a leader in this very important work. I salute you for it.

I must tell you that as I sat and listened to other witnesses, and hearing the recommendations from the National Governors' Conference, I was struck by the fact that California is already doing what is being recommended for the rest of the country.

As I said during the hearing, we didn't do it alone, but with the help of earlier state initiatives, in particular that of Governor Dukakis in Massachusetts, and our observations in West Virginia, Pennsylvania and New York. Benefitting from their experience, I believe we put together a state-of-the-art program.

I want to invite you to California so you can personally see what we are doing here. You will see first hand how people have rallied around GAIN as a solution to a community problem, how long term welfare recipients regain their self esteem as they find jobs or complete their GED, and how the welfare bureaucracy finally sees itself as an advocate, not a policeman, of the poor.

During the hearing you asked me to reiterate, in writing, what the federal government can do to support our efforts.

First, the Congress needs to adopt consistent policies that support states' efforts to help AFDC recipients become self sufficient. The great interest in welfare reform is spawning numerous bills which I believe offer opportunities to change the system. At the same time, there is a danger that individual proposals will continue to fragment a system the GAO has already labeled a "patchwork".

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Second, the Congress should expand its definition of work activity for AFDC recipients to include education and training. Specifically, Title IV-A limits funding for work activities of AFDC recipients to job search or workfare. If we are serious about self sufficiency, this must be expanded to allow funding for remedial education and training. In California, we are finding that our caseload faces great educational barriers that must be overcome. Otherwise, we will continue to perpetuate the revolving door that characterized our well-intentioned efforts in the past.

Third, Congress should allow the state to share in all of the grant savings associated with helping long term recipients. I fully support Senator Kennedy's efforts through the JTPA program. However, I hope that Congress will consider expanding the incentives to the actual grant savings that we expect to achieve as a result of our state's investment in education and training.

Fourth, Congress should allow the states flexibility to design programs that meet their local needs. For example, we have been trying, to no avail, to get a waiver of the "100 hour rule". Based on our experience with the Southeast Asian refugee population, we believe that this rule creates a disincentive for unemployed fathers to accept part-time employment. As a result, we lose the savings associated with a reduced grant and the fathers lose valuable on-the-job experience.

Once again, thank you for the opportunity to share with you what we are doing in California.

I hope you will take me up on my invitation to visit California.

Sincerely,

Art Agnos

ART AGNOS

AA:jlm

Senator MOYNIHAN. If you think of the distance that we traveled from the stereotype of, "welfare queens," and so forth, to a genuinely creative notion of how to work together without stigmatizing the recipients, while acknowledging that if the society has responsibility, so do the individuals.

Mr. AGNOS. Well, one of the important by-products, Senator, in California at least, is that that whole "welfare queen" argument that you correctly allude to has been taken off the table in our state; we don't hear those kinds of arguments over the last two years. And what we are really arguing about is economic development, where the jobs are, what we are doing to stimulate the economy to provide employment for these people, and that is a very healthy and refreshing kind of argument for a change.

Senator MOYNIHAN. Well, you have stimulated this committee and this committee chairman, I would say. We thank you very much, sir. Thank you for being here at the beginning and getting us started in a very positive way. We are going to hear from you.

Mr. AGNOS. Thank you.

Senator MOYNIHAN. Thank you.

Now, what does a subcommittee chairman do with this embarrassment of riches? Governor Gardner, I understand that Senator Evans has to leave shortly, and Senator Kennedy—we are trying to follow just who got here first—and Congressman Levin. Would you like to introduce Governor Gardner? And then, Governor, if you could stay, we will go on with our regular order—does that make sense?

Governor Evans. That is fine.

Senator MOYNIHAN. Senator Evans, would you come forward and introduce your Governor?

[The written prepared testimony of Mr. Agnos follows:]

California Legislature
Joint Oversight Committee
on
GAIN Implementation

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ASSEMBLYMAN ART AGNOS
CHAIRMAN

February 23, 1987

Mr. Chairman and Members:

My name is Art Agnos and I represent the great city of San Francisco in the California State Assembly. Thank you for inviting me to address your subcommittee on the subject of work and welfare.

As one of its key architects, I am pleased to be here to talk about California's GAIN program and to bring you up to date on its implementation.

I am very proud of what we accomplished in California. I think we have demonstrated our commitment to Californians who are less fortunate. And we did so with overwhelming bi-partisan support, once again showing that all of us, whether liberal or conservative, can put aside our ideological differences to help those who need our help.

GAIN is the latest step in our efforts to eliminate poverty among our children. We started several years ago when we strengthened our child support enforcement system to make sure that absent parents lived up to their responsibilities. Subsequently, I passed a law which set minimum standards for support so that parents would pay at least as much as the state for the support of their children.

Last year, we enacted GAIN and ended two decades of debate and rhetoric about welfare reform in California. It marked the end of a system that has fostered dependency, and the beginning of a comprehensive effort to help those who can work go to work.

GAIN is a new, bold, and innovative program. It offers the most comprehensive blend of programs ever assembled in one state to help the poor. It is designed to offer solid opportunity, real hope and dignity, centered around a fundamental human need for honest work.

I believe GAIN offers a model for the nation and a unique opportunity for you, as national policy makers, to learn from California's experience.

I say this for several reasons.

1st. GAIN includes all of the elements experts around the country say are needed for successful welfare reform programs -- child care, supportive services, education, and training.

2nd. GAIN is targeted at long term welfare recipients. For too long we have had programs that have focused our energies and our efforts on people who would have helped themselves without government's intervention.

3rd. California faces circumstances which the federal government is likely to face when implementing any national welfare reform program. California relies on 58 counties to implement the program that, like the 50 states, have very different problems and characteristics.

Yet GAIN is flexible enough to let each county tailor their GAIN program to their local circumstances -- to their local labor market needs, their welfare client characteristics, and their local resources.

4th. California is committed to a rigorous and scientific evaluation of our efforts. We have built random assignment into our implementation efforts so that we will be able to tell whether or not GAIN makes a difference in our fight against welfare dependency.

5th. Most important, it is happening. GAIN is gradually being implemented in our counties. Since last July ten counties have begun operations. Their budgets alone total $52 million and they expect to serve 37,500 participants during their first year of operations.

By law, all counties must begin their GAIN programs no later than September of 1988 but they may phase-in their caseloads over a two year period. By 1990, when GAIN in fully operational, California will be spending more than $400 million a year to help approximately 230,000 AFDC recipients find jobs.

To put this into perspective, California will spend more each year than the national WIN appropriation during its peak years.

WHAT IS GAIN?

GAIN is the product of the nation's best ideas on welfare reform. We learned from the experiences of other states, notably Massachusetts, Pennsylvania, and West Virginia. We listened to the best ideas put forth by liberals and conservatives. And we used all of this information to shape a program that delicately balances the needs of society with those of the individual.

GAIN takes the concept of social obligation -- previously tossed around as a euphemism for client obligation--and more accurately defines it to acknowledge that obligation cuts two ways. Clients must participate but the state must provide the services necessary to help them find and maintain employment.

On the one hand, GAIN requires the state to provide a vast array of services, essential to any welfare reform effort. These services must include child care, transportation, and other supportive services, remedial education, and other education and training designed to help a person find a job.

On the other hand, GAIN is mandatory--but this does not mean that it is necessarily punitive. Rather than using intimidation or threats, it provides an opportunity, a second chance for its participants to become productive members of their community.

Instead of pitting David against Goliath, GAIN places clients on an equal footing with the welfare office. Clients participate in decisions affecting their lives. Counties must listen to participants, treat them as responsible individuals, allow them to make their own choices.

The law spells out how this will be done. (For the record, I am attaching a detailed explanation of how GAIN works. However, I would like to briefly summarize what the law says.)

According to the GAIN statute:

- Counties shall provide education and employment training services necessary to help participants find and keep a job.
- Counties shall pay for child care at the local market rate.
- Clients enter into a legally binding contract that outlines what services they will receive and what their obligations are under the program.
- Each person makes a choice about the mix of education, training, and child care arrangements that best suits her needs.

- The county cannot dictate a person's employment plan. If the county and a client are unable to agree on the results of a professional assessment, the dispute is settled by an impartial, third party arbitrator.
- Employment and training programs must be designed to meet local employment needs.
- Training programs will be held accountable for placing people in jobs that will last. GAIN will not pay to simply hand out certificates--a poor substitute for a job.
- If funding for GAIN is insufficient, services shall not be reduced. Instead, fewer people will be required to participate, targeting scarce resources to those who need it most.
- Mandatory workfare is not punitive or make-work. Workfare placements must be in the area for which a person is trained. This will help persons maintain their newly acquired job skills, remain active in the labor market network, and provide job references to prospective employers.
- Workfare placements cannot displace regular employees. GAIN includes language that prevents using workfare placements to replace paid employees. This language was written by representatives of unions who feared that workfare slots would result in the loss of existing jobs.
- There are sanctions but they are more humane, more appropriate to the degree of noncompliance than required by federal law. They are designed to give people a second chance, not simply add to a person's misfortune.

  In GAIN, persons who fail to make satisfactory progress in their education or training may work their way back into an education or training program by working in a basic workfare assignment.

  Persons who, for the first time, refuse to participate without good cause will be placed on vendor payments for up to three months. Vendor payments limit the person's discretion to spend but does not penalize the children who are the ultimate victims of their parent's refusal to participate.

  Federal fiscal sanctions, which cut off aid, apply only if someone still refuses to participate after three months of vendor payments, or if someone refuses to participate for a second time.

GAIN IMPLEMENTATION

Our implementation efforts are just beginning. While ten counties have begun operating GAIN, some have been doing so for less than three months. Therefore, I don't have numbers to show how many people have found jobs, how long they have been there or how much California has achieved in grant savings.

This will become available as we have more experience and as we begin our evaluation.

However, I have some snapshots which I would like to share with you.

- The need for remedial education is much greater than we ever anticipated. Fresno County, which was the first county to start its GAIN program, reports that half of its new applicants and two-thirds of its continuing caseload need some form of remedial education. Client surveys from other counties show that Fresno's experience is not unusual.
- Job clubs are an inexpensive effective way to help people who do not need remediation find jobs. Between thirty and forty percent of those who participate in job clubs find employment. This experience is similar to that of other states which have job clubs.
- Although the program is mandatory for mothers with children over six, counties are experiencing a high rate of volunteerism from mothers with children under six. In counties where the program has started, there has been a concerted effort to sell the program as an opportunity. Consequently, there is a high degree of acceptance by both AFDC recipients and the public at large.
- The mandatory nature of the program is an asset for many long-term recipients. The counties point to case after case of women who were afraid to come in the door, who would not have volunteered because they were unwilling to risk another failure. Yet, their attitudes, demeanor, and dress change after they go through the job clubs. They learn they can succeed, find a job, and regain their self esteem.
- Workfare, as California has redefined it, is seen as a positive component, not a make-work requirement. Napa County, who was initially opposed to workfare, is finding that using workfare as a work experience component helps their newly-trained graduates learn about the world of work, provides them with employment references, and keeps them active in the labor market.

INTANGIBLE BENEFITS

There have been other benefits to GAIN which are unquantifiable. We see new hope in a demoralized welfare system, improved coordination among different agencies, and innovative thinking that focuses on problem solving.

Let me give you some examples.

- As Chairman of the Joint Oversight Committee for GAIN Implementation, I have heard testimony around the state from county welfare employees who tell us that one of the best things about GAIN is the change they see in peoples' attitude. For the first time in a long time, workers feel that they will be able to help people, not simply give them their checks and tell them to stay out of trouble.

- I have also heard time and time again that GAIN has resulted in improved coordination of services. Los Angeles County, which won't be implementing its GAIN program until next year, felt that having the law on the books has already paid off--during their GAIN planning process they have discovered resources in the community they did not even know existed.

  As one GAIN coordinator put it, "We have been talking to professionals who we've never talked to before. We're all sitting down at the same table--educators, employers, welfare workers, trainers--to tackle one problem. That's a powerful combination."

- Finally, counties feel the freedom to shape a program that is going to meet their individual needs and they are coming up with innovative solutions to particular problems.

  One rural county has no public transportation so it is exploring van pools. Others pay for minor auto repairs so that people can get to and from work or training.

  Another county which relies heavily on agriculture recognizes that its economy will not generate enough jobs for GAIN trainees. Therefore, they are exploring a relocation allowance for people who are willing to move to the more urban areas of the state.

HOW CAN THE FEDERAL GOVERNMENT HELP?

- By adopting consistent policies that strongly support all efforts to help AFDC recipients become self sufficient.

A recent report by the General Accounting Office (GAO) on Work and Welfare amply documents what it calls "a patchwork of administrative responsibilities and lack of overall program direction".

It recommends that program authorizations for the different work and welfare programs be consolidated and funding levels made consistent across programs without reducing state flexibility.

In California, for example, we are struggling with the effects of this patchwork. As I mentioned before, there is a great need for remedial education. Although the WIN program would allow us to pay for remedial education and the accompanying support services, funds are so limited that the state is paying most of these costs. This is because remedial education is not an allowable activity under the regular AFDC work programs funded by Title IV-A of the Social Security Act.

Therefore, I fully support the GAO's recommendations.

o By allowing the states to share in all of the savings associated with serving long-term welfare recipients.

The federal government must recognize that there are differences among welfare recipients and that helping long-term recipients will require a significant investment up-front in order to get the expected pay-back in savings.

Senator Kennedy has proposed a bonus payment program in the JTPA program for states that serve long term welfare recipients.

I fully support his proposal. I suggest, however, that this bonus should be expanded beyond JTPA and allow the states to share in the actual grant savings that are realized from their efforts with long term recipients.

I say this because GAIN places an emphasis on serving long term welfare recipients. The JTPA system alone is unable to meet our needs and we expect to use all available resources for this purpose. Thus, we expect to enlist the aid of our adult education system and our community colleges, most of which are funded by the state.

If we are successful in our efforts, the state will recoup some of its costs from grant savings. However, as the MDRC evaluation of our San Diego program showed, it is the federal government who is the principal beneficiary of program savings because of the sharing ratios of costs associated with the various programs.

- By giving the states the flexibility they need to operate their programs.

For example, we believe that the "100 hour rule" discourages unemployed fathers from accepting part-time employment while on aid. This is because current federal policies require that their family's grant be discontinued if they work more than 100 hours a month. As a result, there is a disincentive for heads of households to take entry level jobs because they are likely to bring home significantly less than they would receive from AFDC.

Fresno county requested a waiver of this rule in order to demonstrate that it is counterproductive to GAIN's goals.

They have reason to believe this.

Under our Refugee Demonstration Project (RDP), which serves time-eligible refugees, we have waived the 100-hour rule and found that refugees accept entry level jobs and supplement their incomes with a grant. However, as soon as they become time-expired and no longer eligible for RDP, they quit their jobs and go back on aid full time. We, therefore, lose the savings associated with the reduced grant, and refugees lose valuable on-the-job experience that would assist them in their climb up the career ladder.

Unfortunately the Department of Health and Human Services denied Fresno's request for the demonstration.

Thank you for the opportunity to testify before your subcommittee today. I will be happy to answer any questions you may have.

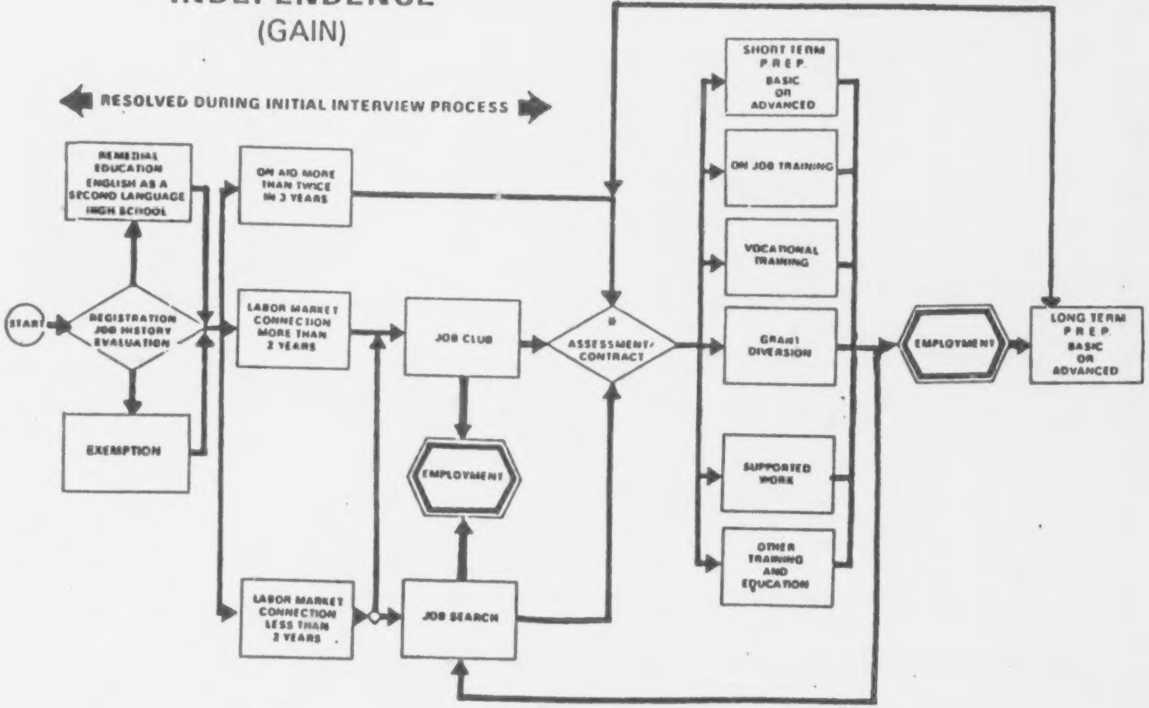
GAIN
GREATER
AVENUES
FOR
INDEPENDENCE

California Legislature

Joint Oversight Committee
on
GAIN Implementation

ASSEMBLYMAN ART AGNOS
CHAIRMAN

GREATER AVENUES FOR INDEPENDENCE (GAIN)


RESOLVED DURING INITIAL INTERVIEW PROCESS
START
REGISTRATION JOB HISTORY EVALUATION
REMEDIAL EDUCATION ENGLISH AS A SECOND LANGUAGE HIGH SCHOOL
EXEMPTION
ON AID MORE THAN TWICE IN 3 YEARS
LABOR MARKET CONNECTION MORE THAN 2 YEARS
LABOR MARKET CONNECTION LESS THAN 2 YEARS
JOB CLUB
EMPLOYMENT
JOB SEARCH
* ASSESSMENT/ CONTRACT
SHORT TERM P.R.E.P. BASIC OR ADVANCED
ON JOB TRAINING
VOCATIONAL TRAINING
GRANT DIVERSION
SUPPORTED WORK
OTHER TRAINING AND EDUCATION
EMPLOYMENT
LONG TERM P.R.E.P. BASIC OR ADVANCED

LEGEND:

* Options based on Job History. Disputed assessments resolved by 3rd party arbitration.

Assigned Directly to Limited Term Pre-Employment Preparation (P.R.E.P.) after 2nd unsuccessful Job Search

GAIN

HIGHLIGHTS

1) GOALS

The first goal is to develop a system wherein welfare recipients are given a fair opportunity to prepare for a private unsubsidized job through choices available to them which involve training, education and fair work opportunities. This is an investment in people which not only gives them the opportunity for permanent removal from the welfare rolls and returns them to the taxpaying roll, but saves the state money through reduced welfare costs.

The second goal is to develop a system wherein the recipients are given a strong, equal opportunity to participate in the choices and decisions that affect them as they prepare for private, unsubsidized employment. This opportunity would be available to them without the need for assistance from a lawyer or welfare rights advocate. In this manner, the assumption is that the recipient can take care of themselves if they are given the information, opportunity and rights to do so.

The third goal of the program is to develop a system wherein the recipient is given every opportunity to educate, train and prepare for a job without coming to a dead end. Nowhere in this system is a person put into a dead end and nowhere in this system does the system give up on anyone.

The fourth goal is to develop a dignified system designed to successfully and fairly integrate work into welfare so as to give it new legitimacy with the recipients and the public. It would put it on the same basis as unemployment benefits in terms of public assistance and support. No longer can anyone disparagingly say "you're getting something for nothing."

2) PHILOSOPHY

Although AFDC recipients want to be employed, current work programs available to them have not been as effective in helping them achieve this goal as they could be. A comprehensive system of employment, education and training programs--adequately funded--would be much more effective in enabling recipients to become economically independent and self sufficient.

3) FEATURES

o GAIN is a system designed to help and encourage participants find unsubsidized employment through incentive and choices rather than threats.

o GAIN is based on the fundamental premise that people want to work given the opportunity to do so. The state expects people to work and will provide the necessary services to help them do so.

o GAIN recognizes that there are differences among people applying for or receiving aid. Services are available depending on their prior work experience and how long they have been on aid.

o Clients fully participate in decisions about their future with a fair, complete opportunity to disagree with their worker. Career decisions are made jointly between the client and his or her caseworker.

o Choices are available wherever possible. Although they are initially limited to job search activities, they broaden when decisions have to be made about training or education as the person moves through the system. Also, the participant can choose between having a family member provide child care or placing the child with any legal child care provider.

o There is an early recognition that education is important. Early provisions are made to provide a high school diploma or remedial education when they are necessary to compete in the labor market. Participants can also pursue up to two academic years of college education if it is likely to lead to unsubsidized employment and they have completed at least half of their college education when they apply. Community college would also be available for the full two years. Students must complete their academic courses in a timely manner.

o In addition to the existing fair hearing and appeal procedures, the system provides several ways to iron out differences between a participant and his or her caseworker.

Misunderstandings can be cleared up through informal and formal conciliation.

Disagreements about program requirements or the services being provided can be resolved through a county grievance procedure.

Disagreements about employment goals between a client and the caseworker are resolved by an independent third party with career planning experience who is not a part of the welfare system.

o Anyone can refuse to participate for good cause. Good cause includes being assigned or referred to a training component or job that is not part of his or her employment plan, or not being provided with the necessary support services (such as child care or transportation expenses).

In addition, a person is not required to accept a job that would make him or her worse-off than if he or she remained on aid.

o Persons who refuse to participate for the first-time without good cause will be placed on vendor payments for three months. Aid will be restored any time during this period if the person agrees to participate. If they still refuse to participate after three months or refuse a second time, federal monetary sanctions apply.

o Child care and health coverage is available during a transition period for those persons who find a job and need assistance.

o Success of this system depends on the cooperation and enthusiasm of state and county agencies responsible for the administration of public assistance and employment and training programs.

Counties are required to tailor the program to meet local needs, be responsive to local labor market conditions, and meet the needs of their AFDC caseloads in a manner that is consistent with the statewide program. To do so, counties must use and develop the range of services envisioned by this program they must use existing resources to benefit program participants or develop new ones in order to offer participants the maximum number of choices consistent with their needs.

o Implementation is phased-in over a three-year period.

o Monitoring of the program is on-going. The state will continually review the implementation of the program to determine the appropriateness of services provided to individuals and sanctions and annually report to the Legislature.

o The program cannot create training positions which would result in or be the result of displacement of regular employees already in the work force.

o The program recognizes the value of the work performed by participants in pre-employment preparation (PREP) assignments. Instead of using minimum wage, the amount of hours that a participant would work in a PREP assignment would be determined by dividing the AFDC grant amount plus food stamps allotment by the average statewide hourly wage for EDD job orders ($5.07 an hour in 1984). The average shall be updated annually on July 1st.

4) PROGRAM COMPONENTS

REGISTRATION

Mandatory for all persons currently required to register for WIN (mothers with children over six years of age, and the principal wage earner in a two-parent family) who apply for or are receiving aid.

Those who are not required to register are allowed to volunteer.

Persons may be deferred from participation under specified circumstances. These include problems which are transitory such as a family crisis, or because participation would jeopardize (a) legitimate employment such as a part-time job or union membership or (b) completion of a self-initiated vocational or education program that may lead to employment.

BASIC CONTRACT BETWEEN PARTICIPANTS AND THE DEPARTMENT

At the time of registration, participants and the welfare worker sign a contract which is binding on both the participant and the department. It outlines what the program is about, the services which the county will provide the participant, each person's duties and responsibilities, and the consequences of refusing to participate.

If the county does not provide the services called for in the contract, the participant can refuse to participate in the program.

Persons who need remedial education, a high school GED, or training in English as a Second Language in order to compete successfully in the labor market will be referred to these services before being required to attend a job club or look for work.

Persons who are enrolled in a vocational or educational program at the time or registration or redetermination may continue the program. If the person ends the program or stops participating, he or she will be required to look for work in either a job club or under the department's supervision.

Persons who have worked in the past two years can choose between attending a job club for one week followed by a supervised job search for two weeks or looking for work under the department's supervision for three weeks.

Persons who have not worked in over two years will be required to attend a one-week job club before the two-week job search.

The job search can be shorter than three weeks when a caseworker and his or her supervisor agree that a person has exhausted all reasonable job leads.

Persons who have been on aid more than twice in three years will be referred directly to an assessment.

ASSESSMENTS AND EMPLOYMENT PLANS

The county and each participant shall develop an employment plan for those who are unsuccessful in finding unsubsidized work after participating in the job club or job search or for those who have been directly referred for an assessment. The plan shall be developed by a person with career planning experience, and it shall be based on assessment of the person's skills and needs, including his or her work and educational history and need for supportive services.

Once the participant and the county agree on the employment plan, the plan shall be incorporated in an amendment to the initial contract between the participant and the department. The amendment shall specify the goal to be attained, the training or education services to be provided, and the criteria for successful completion of these services. It also provides for a 30-day grace period once training has begun during which the participant can request a change or reassignment.

Services include on-the-job training, pre-employment preparation (PREP) assignments, vocational training, supported work, grant diversion, up to two years of community college or college education which was at a work-related goal. In the case of college, the participant must have satisfactorily completed at least half of a four-year college program in order to continue while on welfare. The college training must be completed in a timely fashion.

The amendment to the contract must also specify the supportive services which the county will provide the participant (child care, transportation, etc.).

If the county and the participant do not agree with the results of the assessment, an independent third party with career planning experience outside of the welfare department shall do an assessment. The results of this assessment shall be binding on both the participant and the county.

SUCCESSFUL COMPLETION BUT STILL UNEMPLOYED

If a person successfully completes his or her education or training as specified in the employment plan but is still unemployed, he or she shall be referred to job search for 90 days.

If, at the end of the 90 days the person is still unemployed, he or she shall be referred to a long-term pre-employment preparation (PREP) assignment--not to exceed a year with reassessment in six months--which provides the participant with on-the-job training related to his or her skills. Of course, because employment is the continuous goal, the person is expected to constantly be searching for a job.

UNSUCCESSFUL COMPLETION

If a participant does not complete his or her education or training successfully, he or she shall be assigned to a long-term work experience (not to exceed one year) designed to acquaint that person with the expectations in the world of work. The person must be reassessed in six months to determine readiness to resume education/training program at that time.

At the completion of one year, the participant will be given another opportunity to begin a training program.

SANCTIONS

The county must provide for an informal conciliation period between the participant and his or her caseworker.

If all conciliation efforts fail, the family shall receive aid through money management services (vendor payments). If the person agrees to participate in the program any time during these three months, aid shall be reinstated as soon as possible.

If a person still refuses to cooperate, or it is the second tim that the person has failed to cooperate, aid shall be discontinued for three months or six months, as required by current federal law.

Everybody is entitled to fair hearings at any point in the process.

GRIEVANCE PROCEDURES

Counties shall establish formal grievance procedures which give participants another opportunity to protest any program requirement or assignment that they believe are contrary to the intent of the law (such as a violation of their signed contract). Persons who choose to file a grievance are not subject to sanctions as long as they continue to participate in the program subject to the outcome of the appeal.

Anyone can refuse to participate for good cause. Good cause ca include being assigned or referred to a training component or job that does not meet the provisions of the contract, or refusing a jo that would make him or her worse-off than if he or she had remained on aid.

The Sacramento Bee
Sunday, October 13, 1985

How workfare became law — an amazing compromise

By David L. Kirp
Special to The Bee

THE SCENE WAS Hollywood in Sacramento when George Deukmejian signed California's sweeping welfare reform bill into law last month. Sixteen TV cameras, unprecedented for such an occasion, whirred away – and newsmen from the national press were scurrying for background information.

The governor, a man not normally given to public displays of frivolousness, had his own little joke, a plastic "take a bow" box from which issued the canned sound of cheers and applause. Deukmejian had reason to be ebullient. He had gotten the Legislature to go along with his campaign commitment to implement workfare. It was his biggest victory in office and a timely one, since an August Field Poll had shown him trailing Los Angeles Mayor Tom Bradley, his likely Democratic opponent in next year's election.

San Francisco Democratic Assemblyman Art Agnos, a liberals' liberal and the man who shepherded the measure through the Legislature, was equally exultant. "We got a state-of-the-art training program and a state-of-the-art child-care program," Agnos declared, "and the conservatives are paying a quarter of a billion dollars for it all."

At the bill-signing ceremony, praise was being ladled out like whipped cream on a hot fudge sundae. Republicans were saying such nice things about Democrats and Democrats were saying such nice things about Republicans that you could imagine – at least for the moment – that partisan politics had become as passe as the hula hoop.

Politicans habitually exaggerate their accomplishments, but this is one time when the lawmakers can feel good about their handiwork. They committed the rarest of political acts – the bipartisan adoption of innovative social welfare legislation.

"We've done something that has never been done, and that is to bring the liberals and conservatives together and combine work requirements with training programs," asserts David Swoap, until recently the state's health and welfare secretary and one of the principal architects of the plan. The action may ensure the re-election of a governor, while potentially cutting hundreds of millions from California's welfare bill.

UNDER THE NEW program, which is called "Greater Avenues for Independence," or GAIN, an estimated 190,000 welfare recipients, mostly mothers of school-age children, will be asked to look for work. If they don't succeed in find-

Gov. Deukmejian signed the workfare bill Sept. 26 – a triumph for, among others, Assemblyman Art Agnos (seated, right).

ing a job on their own, they'll get help from the state. Those who aren't required to join the program may volunteer.

The idea is to get welfare recipients off the rolls and into decent jobs – work that will keep them permanently out of the welfare system.

There is English language instruction, for those who don't speak the language, and a three-month "job club," for recipients who need to brush up on the skills required to get inside an employer's door. The program offers up to two years of on-the-job training and subsidized private employment, or vocationally-oriented community college instruction for individuals who are hard to place.

Those who still don't have a job will earn their welfare checks by going to work for the government. This is what's generally called workfare, but it's a far cry from the punitive workfare schemes that conservatives have advocated for years. These jobs pay the same wage as the average California starting wage, presently over $5 an hour; and they're designed not as make-work but as preparation for private employment. After a year on workfare, the training cycle starts again.

State support for the job-seekers goes beyond training to include personal counseling and transportation. Most important, California will spend $134 million annually to purchase after-school care for the children of working mothers.

Recipients who won't play by the rules suffer sanctions, including – ultimately – a cut in their welfare check. But the idea isn't to save money by "sanctioning" people off the rolls and onto the streets. As Agnos puts it, the penalties are conceived as a "kick in the ass." Recipients who think they're getting a shabby deal from the bureaucrats are entitled to present their grievances to an outside arbitrator.

This bill is, far and away, the most ambitious social reform aimed at the poor to be enacted during George Deukmejian's term as governor. Indeed, there's been nothing on this scale adopted anyplace in the country for the past decade. Morton Sklar, former director of Jobs Watch, a group that monitors welfare policy, predicts that GAIN will be "very tempting to other states."

PASSAGE OF THIS welfare reform bill marks a major turnaround in state politics. A year ago, the governor and the Legislature were at each other's throat on almost every issue, including welfare. For two years running, Deukmejian had introduced a workfare bill, only to watch it attacked as "slave labor" and expire in committee. "A forced labor program," Los Angeles Senator Diane Watson called it. "It's sing for your supper'," said Assemblyman Tom Bates. And since Watson and Bates, Democrats, chair the key legislative committees, their "no, never" posture seemed the final word.

The idea is to get welfare recipients off the rolls and into decent jobs-- work that will keep them permanently out of the welfare system.

Even as the welfare issue was going nowhere in the Legislature, the number of welfare recipients kept increasing at a rate twice as great as the state's population growth; the return of better economic times had made no difference. Welfare costs, $1.6 billion last year, have kept rising, too, producing widespread resentment among the voters. These grim facts kept the pressure on the politicians to do something.

What brought welfare reform back from the elephants' graveyard is a complicated tale with a cast of characters almost as big as a Cecil B. DeMille epic. The pivotal figures are Agnos and Swoap, Sacramento's version of the Odd Couple.

Art Agnos was a social worker before he became a legislator – and he still is, in his commitment to a government that cares for those who can't fend for themselves. His fingerprints are all over most of the social programs that have emerged from the Legislature in recent years. Agnos has led the charge on gun control and the campaign for increased AIDS funding. He is probably best known as a tireless campaigner for gay rights.

Dave Swoap is a cost-cutter by instinct, whose first response to almost anything is "less government." A decade ago as a Washington staffer, he was retailing horror stories about food stamp cheats. As the state's Health and Welfare secretary, he cut his own bureaucracy by 10 percent and proposed bigger budget cuts than the governor has been willing to make. Swoap's deep-rooted opposition to abortion has made him a hated figure in certain liberal circles.

"You can trust Swoap." That's the word former San Francisco congressman John Burton passed along to Agnos. The assemblyman was dubious – "look at the guy's record" – but because of his admiration for Burton, he was determined to find out whether there was some common ground.

Agnos and Swoap began working together on easy problems. There was a July 4 call from Agnos asking Swoap to break a bureaucratic logjam and get at-home nursing care for a dying child. There was Agnos protecting Swoap against the petty harassments of legislators who tried to nitpick his office housekeeping expenses.

Swoap and Agnos gave instant access to one another, a very important perk for busy people. Gradually they took on riskier issues, helping each other out in the councils of the Assembly Democratic Caucus and the governor's cabinet. Last year, they won approval for a mini-welfare reform bill, which gave recipients first crack at temporary government jobs.

Yet when a frustrated Swoap asked Agnos if there wasn't something they could do about welfare, the two men were leagues apart in their philosophies. Agnos wanted a voluntary training program; Swoap wanted workfare. During an early meeting with Swoap, Agnos summarized the differences on a scribbled three-by-five card. Democrats believe "people want to work . . . and will, given the opportunity, choice and training," he asserted, while Republicans assume that "people do not want to work unless intimidated or threatened with sanction or some forced undesirable alternative."

THE FIRST TURNING point was a week-long visit by Swoap, Agnos and a handful of other legislators and staff to the workfare and job training programs of three Eastern states. "It was one of the most unique experiences in my political life," says Agnos, "not only for what we saw, the kinds of jobs people on welfare were doing, but also for the constant talking we did, at breakfast, at lunch, on the plane, over drinks till 2 in the morning – talking about our lives, our families, about how we see the world. It was like a retreat."

At a water-testing laboratory in West Virginia, Agnos and Swoap met a 38-year-old woman named Velda. She had gotten pregnant at 18 and had four children by her husband, who was now in jail. Though Velda was supposed to be learning how to be a water-tester, she was being used as a janitor, and no one was monitoring her progress.

This shouldn't be part of any California program, Swoap and Agnos agreed. When it came time to firm up a deal, the "Velda factor" – don't exploit welfare recipients by giving them dead-end jobs – became a key principle.

By last April, Agnos and Swoap had fashioned the basics of an agreement. Swoap still had to sell Deukmejian that the added cost was worth paying. Agnos had a tougher task. He had to sell his hostile Democratic colleagues on the merits of the legislation – and on Swoap.

Agnos' strategy was to bring together all the key staff members, including those working for legislators opposed to basic elements of the Agnos-Swoap deal, to hash out a bill. The measure produced by the working group – essentially, the GAIN program with less generous provisions for child care – was introduced in mid-July. Watson and Bates were still antagonists. But Agnos had succeeded in lining up key Democratic support.

Agnos had the backing of Assembly Speaker Willie Brown, who saw the bill as a way of neutralizing the "soft on welfare" accusation that made Democrats running in conservative districts nervous. He also won the endorsement of Assemblywoman Gloria Molina and Senator Bill Greene, two legislators representing the black and Hispanic ghetto communities of Los Angeles. Their involvement undercut opponents' claims that the bill was no more than a dose of harsh medicine for those on welfare.

Most important, California will spend $134 million annually to purchase after-school care for the children of working mothers.

Governor Deukmejian was an ardent supporter, even though the new legislation was far more elaborate and far more costly than the Job Club-Workfare measure the governor had previously backed. "We were looking for a mechanism to solve the problem of welfare dependency," says Steven Merksamer, the governor's chief of staff. "It didn't have to be the pure workfare model."

THE GOVERNOR'S OFFICE had left much of the negotiating to Swoap and his assistant, Carl Williams. So had Assemblyman Ernest Konnyu, who represented the Assembly Republican Caucus during the bargaining. "I trusted Williams," declares Konnyu. "He's a conservative true believer. He's also a bargainer who can convince you that he just got you the best deal, that what you've given away is a matter of detail, not principle."

The political maneuvering was just beginning. A dozen welfare reform bills had been introduced into the Legislature during the term, and Senator Watson's committee was busy converting all of them into pilot projects. When the newly drafted measure came up in the Assembly, Tom Bates used every parliamentary trick in the book – as well as some he made up on the spot – to stall the measure to death in the weeks before the September adjournment. It took a threatened special session of the Assembly to get Bates to back down from one particularly outrageous maneuver. When the Assembly finally got the chance to vote, it gave the bill a 68-8 sendoff.

Prospects were far more dicey in the Senate, where Senate President Pro Tem David Roberti was at best lukewarm about welfare reform. Roberti was uneasy with the speed at which the bill was being rushed through the Legislature. And the chairwoman of the Health and Human Services Committee, Diane Watson, was its most unbending opponent. Watson had suffered several unhappy public moments during the term, including a verbal spanking by a fellow senator, and Roberti didn't want to inflict yet another wound.

It was essential, Agnos realized to "energize" Roberti. The only way of accomplishing that was to link welfare with Roberti's pet program, after-school care for the children of working mothers.

Passage of this welfare reform bill marks a major turn-around in state politics.

A year earlier, a $30-million latch-key child bill sponsored by Roberti had been vetoed by Deukmejian. "I'll be dead and buried," Roberti told the Senate, before having another shot at getting the governor to approve a major child-care program.

Deukmejian, who hates horse-trading, had to be persuaded to bargain with Roberti. The search was on for what the participants called an "elegant solution," an understanding that didn't look like wheeling and dealing, but allowed negotiations with Roberti to proceed.

Roberti's support didn't come cheaply. He got his latchkey program – more focused on poor working women and less child development-oriented than he might have liked, but with a $71-million price tag. He also came away with $36 million to build new childcare facilities. And for children whose parents are in the GAIN program, he won more funding – $2,100 a year per child – than the administration first proposed.

ALTHOUGH THOSE close to Deukmejian deny it, the governor gave much more than he got to win Roberti's support. Deukmejian needed to emerge from this session of the legislature with a win. Major initiatives on toxics reorganization and the unitary tax had been stymied; workfare had a political sex appeal that these items could never aspire to. The August Field Poll, which shook up Deukmejian's staff, had shown that Californians thought highly of Deukmejian but were vague about what he stood for. Workfare became the governor's take-a-stand issue.

With Roberti offering what one colleague terms "semi-passionate" support for the bill, the welfare reform bill whisked through Watson's committee and a vote on the Senate floor in a single day.

"It's still a forced-labor program," Watson angrily insisted. "In places where there are no real job prospects, welfare mothers will simply go home and have another baby."

Bill Greene, who like Watson represents the Los Angeles ghetto community, had a sharp-edged retort. "The present system is nothing, zip, zero, double-zero. It is debilitating, denigrating, and I am tired of seeing women that I represent put in this kind of posture."

With Senate passage, the fight seemed over. Assembly concurrence on some technical changes was the only remaining step before passage became official. At that moment, though, Assembly minority leader Pat Nolan decided that the package cost too much.

Those who had worked for months to hammer out the deal were understandably dismayed at this 24th-hour appearance. And the fact that the young Republican staffers working for Nolan displayed more zeal than brains – at one critical moment, a staffer detailing numerous points of contention admitted he hadn't even read the bill – made things worse.

In the end, the Republican Assemblyman surrendered to the wishes of the governor's office. "We had gone too far down the road to change course," says Merksamer.

"Tell Nolan the game is over," Agnos said to Merksamer. "Then go to Roberti and shake on it."

AFTER THE bill-signing, everyone was convinced that he had made the best deal. Deukmejian had had to compromise twice – offering to spend more money, first on training programs, later for child care, than he had intended. But the governor got his workfare program. As Carl Williams declared, "if you saw the TV coverage, it was worth every penny."

Dave Roberti saw the bill very differently, as the Magna Charta for child care. Years from now, he predicted, that's what would be remembered.

In fact, everyone involved will probably benefit politically, including the Odd Couple of Swoap and Agnos. Dave Swoap is now Mr. Welfare Reform. He's the man who was picked to spread the gospel on the "Today" show and has been seriously touted to head the federal Health and Human Services Department.

Art Agnos has been praised so lavishly by all the participants that you'd think canonization was in the wind. And his political reward may be more tangible.

At least that's the estimate of Assembly Speaker Willie Brown. During the last hour of debate in the Assembly, Tom Bates predicted that in five years this measure would be regarded as a failure. Bates hoped that, when the time came, the authors would admit as much.

"If you're talking about Assemblyman Agnos," Brown shot back, "he'll be the mayor of San Francisco by then."

"Is that an endorsement?" Bates asked.

"It's a guarantee."

WHAT ACTUALLY happens in 1990, when the bill has been fully implemented, is anyone's guess. The Department of Social Services predicts that the state will save a quarter of a billion dollars a year in reduced welfare costs.

The Department of Finance, the administration's fiscal conscience, is much less sanguine. So is the Legislative Analyst's office, which points out that DSS has probably exaggerated the speed with which welfare recipients will get jobs and overstated the savings from those who, in order to avoid workfare, won't sign up for welfare in the first place. If the Legislative Analyst is right, costs could be much higher – hundreds of millions of dollars higher – and fiscal benefits much smaller than the politicans are acknowledging.

Who is right – how much money will be saved, how many jobs will be filled by newly trained welfare mothers – can't be known now. There is some mildly encouraging data from San Diego County, which has been operating a job club-workfare program for several years. But much of the San Diego savings came from trimming people from the rolls, and the protections built into the new legislation makes this strategy less likely.

A lavish employment and training program in Massachusetts has put 17,000 welfare recipients in unsubsidized private-sector jobs during the past two years, saving the state some $50 million. Yet because that program is essentially voluntary, it attracts the most motivated recipients. In the mandatory California program, there are bound to be proportionately fewer successes.

There will always be some people on the welfare rolls, no matter how the GAIN program is carried out. But, in an important sense, that is beside the point. As Sen. Bill Greene argued passionately during the floor debate, those individuals are better off bringing home a paycheck – even if it's a workfare paycheck. The very fact that they are working should help break the cycle of dependency and despondency – which, after all, is what social welfare programs are supposed to achieve.

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Workfare Program Modeled on 'Best' of Other States' Plans

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By RICHARD C. PADDOCK, *Times Staff Writer*

SACRAMENTO—During the last school year, Velda Jenkins spent two days a week quietly mopping floors at a state lab in South Charleston, W.Va., in exchange for her welfare check.

A mother of three teen-aged children, she had been promised training as a lab aide. But she never received an hour of instruction.

"I can't get off welfare with what I'm doing," she said. "I'm not working myself any farther than up and down these halls."

In West Virginia, officials conceded that Jenkins had fallen between the cracks of the state's workfare system. But in California, she has helped shape public policy.

Her case became known as the "Velda Factor" among a handful of California lawmakers and officials who discovered her plight last spring while on a tour of states that had enacted some form of work program for welfare recipients. To Assemblyman Art Agnos (D-San Francisco), state Health and Welfare Secretary David Swoap and others, her situation was an example of what to avoid in creating a California workfare system.

That trip turned into a crucial first step in the evolution of California's workfare program, which was signed into law last Thursday by Gov. George Deukmejian.

California's Plan

Under the California plan, as many as 175,000 welfare recipients, primarily women with children over the age of 6, will be required to work, go to school or receive job training in exchange for public assistance.

But in part because of Velda Jenkins, each of these welfare recipients will receive a written contract from their county welfare department spelling out precisely what training they will receive—a method unique to the California program.

And in part because of the lack of child-care assistance available in West Virginia for workfare mothers like Jenkins, California's program includes an expensive child-care feature that will enable welfare recipients to spend many more hours at work or in training.

California's adoption of a workfare program comes at a time when 25 states are experimenting with mandatory work programs and another 12 have established voluntary programs. But lawmakers in Sacramento have created a workfare and training program far more comprehensive and complex than any of the programs attempted elsewhere.

The California delegation's trip to the East provided a first-hand look at work programs in West Virginia, Massachusetts and Pennsylvania. Perhaps more significant politically, it also opened a line of communication between the conservative Swoap and the liberal Agnos.

"The trip had precisely the result we were looking for," Swoap said in an interview. Swoap, who announced Friday that he will resign Nov. 1, said: "It enabled us to see all these various elements in detail, decide which ones we liked and which ones we didn't. We developed little buzzwords and common understandings, like 'the Velda Factor.' "

In Massachusetts, the California delegation saw a highly touted work program that stresses the voluntary participation of welfare recipients.

The Massachusetts program, known as Employment & Training, or ET, is not considered workfare because it has no mandatory work provision. Its only requirement is that welfare recipients register for the program. They then can choose from a variety of training programs or choose not to participate at all.

Massachusetts officials said their program is designed to motivate welfare recipients to work—not coerce them to get off welfare. And so far, there has been no shortage of volunteers for the limited number of ET slots available.

"We approached it very differently—in a positive way," Massachusetts Gov. Michael S. Dukakis said in an interview. "The people on AFDC have responded so well to this that our only problem is we can't respond fast enough to accommodate all the people who want to come in."

ET was so attractive to Boston resident Cheryl Liberatore that she quit her job last year to go on welfare so she would be eligible for one of the training programs. As a result, the 22-year-old mother said, she landed a job at Massachusetts General Hospital that paid nearly twice as much as her old one.

When the California delegation came through Boston, Massachusetts state officials displayed Liberatore as one of their success stories.

Recipients Given Choices

California officials were so impressed with the Massachusetts program that they incorporated into their proposal a component that gives welfare recipients some choice in the kind of work, training or education they will receive.

"Massachusetts provided a tremendous model for us," Agnos said.

Massachusetts officials report that their program has saved $50 million in welfare costs since it began in 1983. Between October, 1983, and June, 1985, according to these reports, 10,579 Massachusetts welfare recipients have been placed in jobs with an average entry level wage of $5.10 an hour.

In Pennsylvania, much like West Virginia, the visitors from the West Coast saw a workfare program geared more toward giving employers free labor than providing welfare recipients with training.

One of the largest employers of workfare labor has been the Pennsylvania National Guard, which used welfare recipients as custodians at many of its 98 armories.

In many cases, the workfare participants replaced workers laid off by the state—a practice that will be prohibited in the California program.

"From my point of view, with the number of budget cutbacks, I don't know how we would have gotten the job done without them," said Pennsylvania Adjutant Gen. Richard Scott, who oversees the National Guard.

But even at one air base at Ft. Indiantown Gap, where workfare offers little in the way of job training, one participant praised the program.

"It gives you a chance to get out and do something," said 36-year-old George F. Keener Jr., the father of two small children. "I was just sitting around the house doing nothing. At least I'm working for the money now."

Keener's attitude is shared by many workfare participants, according to field studies conducted by the New York-based Manpower Demonstration Research Corp.

"One of the surprises was the positive response of people to the work program," MDRC vice president Judith Gueron said in an interview.

Added Agnos, "All the studies done around the country indicate that the overwhelming majority of people who participate in even the most Draconian forms of workfare indicate they feel better about themselves as a result."

One element of the California plan was drawn from a county-run pilot program in San Diego.

In that program, welfare recipients must look for work and those that are unsuccessful are required to take a workfare assignment. A similar provision has been included in the statewide program.

Reagan's Workfare Program

The proliferation of different programs around the country was fostered by President Reagan, who as governor of California championed a version of workfare in 1971 that now is widely regarded to have been unsuccessful. At the time, Swoap was a Reagan appointee very much involved in the governor's workfare efforts.

Ten years later, in 1981, the Reagan Administration in Washington sponsored a change in the federal law to make it easier for states to require welfare recipients to work. Swoap then was Reagan's undersecretary of health and human services and played a key role in changing the law.

In 1983, Swoap returned to Sacramento as a member of Deukmejian's cabinet, where he is now in a position to implement workfare at the state level.

"It was particularly good to come back and design a package that takes advantage of what we did on the federal level," Swoap said.

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Richard P. Nathan

A Welfare Revolution

Quietly, in the states.

For 20 years, welfare reform has been the Mount Everest of American domestic policy. Politicians have tried to climb it because it was there. The history of these ascents has been controversial. The proposals have been mostly comprehensive grand designs, made in Washington. One's position has been a test of one's ideology.

As a former participant, I now believe these earlier efforts to establish a negative income tax or guaranteed income system were the wrong approach to welfare reform. But in the past five years, there has been a subtle and little-noticed shift toward an alternative. A new consensus is emerging, emphasizing jobs and with state governments in the driver's seat.

In over two-thirds of the states, there is activity under the heading of "workfare," which I believe may turn out to be the real welfare reform. In this process, the meaning of the word "workfare" is subtly changing. In the 1970s, workfare was anathema to liberals who often damned it as "slavefare." The meaning of the term in this period was narrower than it is now. It referred to the single approach that people on welfare should "work off" their benefits. They should engage in public service jobs (often condemned as "make work") for an amount of time equal to some wage rate (such as the minimum wage) divided by their entitlement to welfare assistance.

Historically, this has been the approach to welfare for adult men without families under state and county assistance programs. In 1971, the federal law was amended to require that a woman in the then fast-growing Aid to Families with Dependent Children program register for work and accept a "suitable" job if one is available and if her youngest child is over 6 years of age. This requirement does not say that states and counties have to set up jobs—only that if a suitable job is available (along with child care) an AFDC family head is required to accept it,

Ten years later, Ronald Reagan tried to move even further in this direction. He proposed that states be required to provide jobs to all AFDC family heads, again with children over 6 years of age and where child care is available. Although Reagan succeeded in 1981 in obtaining passage of fundamental welfare changes removing many working poor families from the AFDC roles, he was not successful in winning enactment of universal and compulsory work as a condition of the receipt of AFDC benefits. Congress instead said that the states could *test* the approach along with other employment approaches to welfare reform.

The important new activity being undertaken by over two-thirds of the states involves tests under this new authority, although on a broadened basis that also includes job preparation and job search activities. The states are using a variety of approaches; they can be arrayed on a continuum according to the degree and character of the obligations imposed under these new state systems.

The welfare reform programs of Michael Dukakis, governor of Massachusetts, and George Deukmejian, governor of California, bear particularly close watching. The Massachusetts program called "ET Choices" is the most liberal test of employment approaches to welfare reform. (ET stands for employment and training.) The emphasis in Massachusetts is on job preparation and placement services, not on compulsory work experience. This approach can be contrasted with that of states such as Utah and West Virginia that have a strong tradition of mandatory community work experience for welfare family heads.

California's program stands out as the most ambitious new state welfare reform in the nation. In 1985, the state enacted legislation to provide "Greater Avenues to Independence"—abbreviated, of course, as GAIN—for all qualifying welfare family heads. Under this program, all counties in California are to set up new systems to provide a range of services—training, education, job counseling and job placement. Eligible welfare recipients are required to participate in one or another of these services. If the services are not successful in getting an eligible AFDC family head into the work force, they are followed by six months or one year of "relevant" community work experience in a presumably useful (not "make work") public service job. It is estimated that California will spend as much as $300 mil-

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lion per year on this program, not counting the expected welfare savings, when GAIN is fully implemented. This is more than the federal government spent in 1985 for the nation as a whole on welfare employment and training programs under its work incentive (or WIN) program.

It is not yet clear what will happen under the California or other new state welfare reform programs in the turbulent environment of Gramm-Rudman-Hollings. This quiet state-focused revolution is, in effect, an attempt to change welfare as an *institution* and, in the process, to reduce the stigma of welfare both for recipients and for the society. But such change does not come easily.

The Manpower Demonstration Research Corporation, based in New York City, has conducted eight state demonstration research projects on variations of the work and welfare approach in which more than 35,000 people have been assigned either to a new program or a comparison group. The results of these demonstrations so far, including one in San Diego that was a model for the California GAIN program, have been promising. However, the earnings and work increases achieved are not all that large, and furthermore there is variation among the states in these terms. One clear lesson from these state experiments is that it is bound to take time to deal with the accumulation of generations of the terrible problem of very high rates of single-parent families among the poor.

But there is new hope. The states are serving as testing grounds for welfare reform on a basis that involves a delicate balancing act by liberals and conservatives. Job-focused institutional changes to reduce the stigma of welfare are the essence of the new approach. It is too early to draw conclusions about its efficacy. But it certainly bears close watching: it *could* be the real welfare reform.

The writer, who was deputy undersecretary for health, education and welfare in the Nixon administration, now teaches at Princeton University.

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August 12, 1986

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California invests in 'workfare'

By Cheryl Sullivan
Staff writer of The Christian Science Monitor

Fresno, Calif.

Cherron Holmes knows what it is like to be a "welfare mother," to hear people at the supermarket whisper comments about the amount of groceries she's allowed to buy with food stamps. Now, she's also learning what it's like to be a working mother, holding down a full-time job outside the home and drawing a regular paycheck instead of a welfare check.

She recently landed her job as a receptionist with the help of GAIN (Greater Avenues for Independence), California's newly restructured welfare program. Ms. Holmes says the program is more like a bridge than an avenue. "All you have to do is cross over to find your self-identity and your independence," she says. "If you give it a chance, it can work for you. But remember, nothing is free."

Californians' perception that welfare clients were getting a free ride, however, is the spark that ignited current reforms

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from front page

in the state. As governor of California (1967-74) Ronald Reagan tried a workfare program, but it was never fully put in practice and ended when he left office. His successor, Gov. Edmund G. Brown Jr., approved an experimental workfare program for San Diego County that was a forerunner of GAIN.

Launched June 30 in Fresno County, the new program is expected to be initiated in more than 20 of California's 58 counties this year. All counties are supposed to have GAIN programs within four years.

GAIN's bottom line is that welfare recipients who are not able to find work in the marketplace, as Holmes did, will be assigned jobs in the public sector or with nonprofit agencies. In effect, they will be "earning" their welfare checks.

During California's 30 years of experience with a variety of welfare programs, "the sentiment of the general public that able-bodied people should work and participate in the labor market has never disappeared," says Ben Kelley, director of social services in Fresno County. "We now insist that everybody participate in the marketplace — and we'll provide the services [transportation passes, child care, education, and job training] to do it."

GAIN's inauguration comes at a time when the United States is beginning to reexamine its national welfare policy. President Reagan, in his State of the Union address in February, announced the formation of a White House commission to evaluate assistance programs and make recommendations on welfare reform. New bills have been introduced in Congress to restructure federal relief programs. And other states — Massachusetts, Pennsylvania, and West Virginia — have also revised their welfare programs, tying them more closely to job training and employment.

California officials think GAIN is a model for the nation. "It takes different approaches that have been tried elsewhere, and are proven to be effective, and puts them into one comprehensive program," says Bruce Wagstaff of the California Department of Social Services.

Funded this year at $78 million, GAIN will cost $335 million a year when it's going. It is expected to save the state $360 million a year because of lower welfare payments and new income taxes from former clients who have found jobs.

Holmes, who found a job with Fresno County after one day in the GAIN program, will not earn enough at first to cover her public-assistance allotment. The state will make up the balance until she earns enough to provide for herself and her two boys.

"Is it not better to subsidize a person's labor than to give them a check and let them sit at home?" Mr. Kelley asks. "One is a dead end. The other carries the chance of something positive happening."

GAIN critics, however, say that mandatory "workfare" has never worked and that voluntary programs are more effective. They are also concerned that welfare clients who can't find employment in the marketplace will be forced into "make-work" jobs — raking leaves in the park or counting paper clips in the back room.

Luisa Medina of Centro la Familia, an advocacy group for Fresno County's poor, insists that the workfare segment of GAIN must provide "meaningful, useful employment." She says Fresno County is committed to that goal, but adds that other counties in the state may not be so willing to provide close supervision and careful training for GAIN participants.

It's too early to draw any conclusions about the program's success or failure. Statistics are scant, but testing of early participants in Fresno County indicate that about half of the clients need to improve basic skills — such as learning to speak English or reading at a sixth-grade level — before they can compete in the labor market.

GAIN is structured so that welfare recipients look first for jobs in the competitive marketplace. People who fail to find work can then choose from a menu of options, such as on-the-job training or vocational education. Public-sector slots are the last resort, but clients are required to take them in order to continue to receive benefits.

The key to GAIN's success ultimately may be whether it gets support from the private business community. "I wish we could have mandated to the employer, as well as to the welfare client, that 'you will participate,' " Ms. Medina says.

But the business community here may not be capable of supporting the program. The county's economy is tied closely to the struggling agricultural industry, and the unemployment rate varies between 10 and 16 percent, depending on the season.

Between 1980 and 1985, the county's population grew 8 percent, but job growth has been flat, says Daniel K. Whitehurst, president of the Fresno County Economic Development Corporation and a former mayor of Fresno mayor. "GAIN will only break the [poverty] cycle if there are jobs to be had for welfare people," he says.

August 20, 1986 NAPA VALLEY TIMES ★

'Workfare' offers ways to GAIN independence

County program leads in state job training push

By Teresa Barnett
Of the Times Staff

They are an unlikely team with an enormous mission. Whether they are simply charging windmills or blazing new trails in this country's system of helping the poor remains to be seen.

On a recent cool and foggy morning, Paula Amen-Judah, Laura Ecklin and Sally La Cau faced a roomful of women to enthusiastically pitch their new program. The women, mostly white, single and in their 20s, sipped coffee and remained politely attentive, if a little bored or sleepy, as they listened to the introductory remarks. Amen-Judah, Ecklin and La Cau had a captive audience, since the women were all mothers on public assistance and therefore required to attend the all-day workshop.

The women were in for a day of tests, forms and information about the "options and have-to's" under a new state law that requires able welfare recipients to find jobs or participate in job training programs

Napa gets head start

Napa is one of the first counties in the state to develop and put in place its "workfare" program under the state law adopted in September 1985. (Fresno County launched its program one day earlier than Napa.)

"By jumping in early, we can work with the state to impact the development of the guidelines," says Dan Corsello, county human services director.

Napa's program, called Greater Avenues for Independence or GAIN, has been in place since early July. A pilot program began in August 1985, and has already helped "hundreds," according to Amen-Judah, who shepherds new participants into the GAIN program.

"We were running (the pilot program) on a shoestring," says GAIN planner Lynne Vaughan. "We followed the state work-welfare bills as they developed, and when the law passed we decided to go for it. This is really a win-win-win program."

The program is designed to get welfare recipients off the rolls by getting them into "entry-level, career" jobs that will keep them out of the public assistance system permanently. Unlike earlier workfare programs, dating back to Ronald Reagan's days as California governor, the GAIN program provides child care and transportation.

Since over 90 percent of welfare cases are single mothers, child care is the crucial component, according to everyone involved with GAIN.

"I haven't been a great fan of workfare because it is usually based on dead-end make-work. As a result, it never really got people off welfare," says Corsello. "What makes this unique is that it addresses many of the crucial issues, especially child care. You ask a woman to care for kids and work a minimum wage job that will go nowhere—she'll just be burned out and back on welfare. This is a positive program, not negative and punitive."

The GAIN program provides several levels of service, from adult basic education and English classes for non-English speakers to job search coaching to vocational training. While some participants will just need to brush up their skills, others can enroll in college programs for up to two years, according to Ecklin. Others can participate in paid and non-paid on the job training programs.

"At first I didn't like the idea of unpaid work experience programs," concedes Vaughan. "But 95 percent of the employees and employers in studies said the experience was great. The facts didn't bear out the fears."

In order to place participants in jobs with advancement potential, GAIN training is closely tied to the job market. The Napa Private Industry Council is actively involved in the program.

"We have generally had tremendous response from employers," says

(please see page 3)

GAIN job training

(cont. from page 1)

PIC chairman Ray Sercu. "We (employers) have incentive to take these employees, because many come with subsidized training." Under one training program, GAIN pays half of the employee's salary during the training period.

A study completed in February predicted that about 1,700 new jobs would be created in Napa by 1988. Most of the new jobs are expected to be in the health and service industries, so GAIN's vocational training focuses on clerical and sales-type jobs. To help participants prepare for customer service work in stores or hotels, one of the programs goes so far as to film training exercises on video, and offers opportunities to improve appearance through exercise and nutrition counseling, lessons at the beauty college and "having your colors done."

Orientation: positive response

The state-issue scratch paper is titled "GAIN Appraisal: Scratch Paper." The sheet is only eight by seven inches, so most of the front and back is covered with scribblings after the 20-minute math portion of the exam is over.

The 17 women who are attending Amen-Judah's orientation workshop this morning breathe a collective sigh of relief after the two-part test is over. The reading comprehension section includes sample forms, resumes, employee manuals and charts likely to be encountered during a job search or on a job. The math section tests basic math skills using examples such as paycheck stubs and tax deductions.

"It's a very practical test," says Amen-Judah. The results determine whether a participant needs basic education before or along with "job club" workshops.

To unwind from the stress of the test, Amen-Judah invites the women to complete the sentence: "People on welfare are..." Immediately the group perks up, calling out "lazy," "irresponsible," "cheats." Soon the single words turn into vignettes of mistreatment and discrimination: "My son was left ignored and crying in the hospital while non-Medi-Cal kids got balloons and attention from the staff." "The grocery clerks treat you like a cheater. People in line inspect your cart—you better not have anything but generic basics." "I couldn't find anyone to treat my child when he was ill. I had to go out of county to find a doctor who would accept Medi-Cal."

To contrast the perceptions of welfare recipients, Amen-Judah asks each woman why she's on public assistance. Almost without exception they said they were single parents, often from abusive marriages, with small children they were unable to support and care for on their low wages.

"That illustrates our saying here," Amen-Judah tells the group. "Welfare mothers are created from low wages and unpaid child support."

As the day progresses, the participants learn other details of the GAIN program. They hear from Phyllis Boyson, who heads the Family Support Division of the District Attorney's Office. She tells them about the child support laws and how her staff, with a caseload of 700 apiece, work to find and collect from non-paying parents, usually fathers.

For about half of the group, this workshop is the longest amount of time they've been separated from their babies or toddlers. Child care is a concern near to their hearts, so even after a full day of forms and tests, they perk up at the last presentation. Susan Edwards from Rainbow Child Care Council has arrived to explain how mothers in the GAIN program can arrange for their children's care—at no expense—during the time they attend classes or search for a job.

"So far, it has gone amazingly smoothly," says Edwards of the GAIN-Rainbow child care cooperation. Rainbow completed a study of county child care facilities in February. While it is relatively easy to find care for three- to four-year-olds, care for infants and school-age children remains a challenge, she says. In addition, many of the nursing or sales-cashier jobs encouraged under the GAIN training require weekend and evening hours—times when available child care facilities are scarce.

Although only three of the women present are required to sign up for GAIN, by the end of the day 15 are making appointments for child care consultation and individual evaluations.

"This response is typical," says Amen-Judah. "We've had a high percent of volunteers."

The 'have-to's' and the 'want-to's'

Only certain welfare recipients are required to participate in GAIN. The program targets those whose youngest child is 15, who have two or fewer children both over the age of six, and those with two-parent households.

"We're especially concerned about the people whose children are growing older, because they will run out of aid within a few years and have no job skills," explains La Cau. "This helps them make the transition."

Other welfare recipients are eligible to participate on a voluntary basis.

The county handles about 1,300 cases at any one time, according to Corsello. He expects about 500 people to become actively involved in the GAIN program during its first year.

The county requested $750,000 from the state to fund GAIN, but the state approved $545,000.

"We're still negotiating," Corsello says. "We feel the state is obligated to pay the freight. The entire amount is needed. Our program would cost about $825 per applicant, as compared to Fresno at $1300."

4 Part II/Monday, September 29, 1986

Los Angeles Times
A Times Mirror Newspaper

Workfare Works

It has been nearly a year since California's workfare program was initiated, and it will be a long time before anyone knows whether it will work. But it is the boldest plan of its kind in the country, and is up and running in five counties. This autumn, GAIN (for Greater Avenues to Independence) administrators are touring the state to drum up support for their plan to help the poor get out and stay out of poverty. They seem to have the right ingredients to make workfare work.

GAIN, modeled after San Diego's highly successful plan, embodies the most important of the liberal and conservative approaches to workfare. Its fundamental premise is that those on welfare want to work. In fact, most do: The average stay on welfare in California is 22 months, and only about a quarter of recipients stay on longer than five years. GAIN is unique in that it requires nearly all able-bodied welfare recipients to do something—work, go to school, or receive job training—in exchange for their checks. That pleased conservatives, who wanted to get something for their money and impose a sense of responsibility on recipients.

But GAIN looks beyond merely getting people temporarily off the dole. Welfare recipients won't be forced into make-work jobs, nor will they be shoveled into dead-end employment. GAIN gives them the opportunity to learn a skill and teaches them how to market it. Administrators help recipients find work and get them to it. If a welfare recipient does take a low-paying job, the state will make up the difference between the paycheck and the welfare check. That will help alleviate the dilemma inherent in so many welfare programs—how to encourage a welfare recipient to take a job that pays less than welfare. One disappointing but perhaps unavoidable aspect of GAIN is that welfare recipients are prevented from working in jobs customarily performed by union members. That prohibition, though it prevents governments from replacing workers with welfare recipients, removes a host of interesting jobs that workfarers could do. And it is especially unfortunate in the light of the spending limits placed on local governments by Proposition 13.

No matter how good the training or the job, lasting progress against chronic unemployment is impossible unless families—especially those with small children—are encouraged to stay together. In California, 80% of the 600,000 families on welfare are headed by one parent, who is usually female and usually a member of a minority. GAIN wisely provides for child care and transportation to and from work and job interviews. In the interest of keeping families together, mothers with preschool children will not be obliged to take part in the program, though they may volunteer to do so. And if, after the entire process, welfare recipients still refuse to work, the aid will be taken away from them but not from their children.

The early results on GAIN, though in no way conclusive, are encouraging. In Fresno County, half the welfare recipients who have gone through the initial job-search program have found work, mostly in semiskilled service jobs. Administrators in Napa County are reporting early success, too. GAIN's big test will come when the program goes statewide, and into full swing, in 1988. Its biggest potential problem is child care, which is inadequate everywhere.

So many anti-poverty programs in the past have been killed before they have had a chance to prove their worth. GAIN, the most ambitious attempt yet to lift the poor from the squalor that is their lives, deserves a fair test.

The Sacramento Union

Sacramento, California/OLDEST DAILY IN THE WEST/Monday, February 2, 1987

'Workfare' plan is paying off for the unemployed

By ED MENDEL
SACRAMENTO UNION CAPITOL BUREAU

In one of the first results of "workfare" in this area, a woman on welfare in Yuba County got a job at Kaiser Hospital in Sacramento.

A bold new welfare program, enacted by the state in September 1985, is slowly being phased in around the state.

Yuba is one of the first 10 counties to begin operating the program that will require many recipients of Aid to Families with Dependent Children (AFDC) to work.

But with the new threat of "no work, no pay," comes one of the most elaborate job-search programs ever attempted by government in this country.

The program called Greater Avenues for Independence (GAIN) will offer job-search workshops, education, training, child care and transportation.

In time, there may also be jobs created by "grant diversion," which will give the welfare check to the employer who hires persons in the program.

"Some persons are really anxious to get going and then, of course, we have some people who resent it, who feel it's unfair," said Phyllis Bullard, Yuba County GAIN supervisor.

The Yuba program, which began in November, has about 300 participants. The Kaiser worker is one of a half dozen who have found jobs so far.

When the program is fully operational, it will include about half of the 2,600 AFDC clients in the county.

Among the exempted are persons with children under age 6, adults who live with someone on GAIN, and those determined to be physically and mentally unable to work.

The early trends, say several county directors, show more volunteers than expected as well as a high number of persons who need remedial education in basic reading and arithmetic.

After testing, about half of the Yuba participants are now taking remedial classes through the Marysville Adult Education Program or Yuba Community College.

"I think it's consistent with the message we are hearing from educators that the

● Please see WORKFARE, A6

● From A1

American population is not as well-educated as it used to be," said Jo Frederick of the joint legislative GAIN oversight committee, "and we are dealing in California with many people whose primary language is not English."

As counties around the state sit down to work out their GAIN plans, some say it is the first attempt to pull together all of the existing resources for education, training and job placement.

Los Angeles County officials, for example, are said to have discovered resources they did not know existed.

In Stanislaus County, the planners concluded that the farm-based economy does not produce enough jobs. Their solution was to export some of the welfare population.

They proposed a moving allowance, plus a $250 one-time grant for mnor auto repairs.

Calaveras County, which has no public transportation, is considering a van pool to carry persons to training and jobs.

In general, the county planning process is proving to be more difficult than expected.

The prediction last year was that 35 counties would be operating GAIN programs by the end of this fiscal year in June. Now it is expected to be about 20.

"We are basically on schedule," said Carl Williams, state GAIN director. "We have had some slippage in some of the county start dates. In a way, I am glad about that. Some of the early plans that came in were not very good."

By this September, all of the counties are required to submit a plan. By September of next year, all counties must begin operating a GAIN program.

Then they have two more years to phase in all of the caseload, bringing the program to full operation statewide five years after the bill was signed by Gov. Deukmejian.

Most of the big counties, such as Los Angeles, which has 40 percent of the state AFDC caseload, will probably not move much in advance of the deadlines.

Only 10 to 15 percent of the AFDC caseload is in the counties that have begun GAIN operations—Butte, Fresno, Napa, Kern, Santa Clara, Stanislaus, Madera, San Mateo, Yuba, and Ventura.

In the county where California workfare began, San Diego, the last of two prototype programs is scheduled to end in June. Officials would like to begin GAIN in July, but they have not yet submitted a plan.

"They are going to have to hustle," said Williams, "and so are we."

The GAIN budget for the current fiscal year, $93 million, is scheduled to increase to $266 million next year.

A third of next year's budget is in the form of existing federal programs, mainly job training, and state officials are worrying about possible federal budget cuts.

In the budget next year, the two largest spending categories are education and training, $112 million, and child care, $59 million.

During the first years of the program, GAIN is

- more -

WORKFARE: State plan pays off for the unemployed

increasing welfare costs. Next year, the level will be $162 million over current funding.

But as programs become fully operational, there may be a saving as persons leave the welfare rolls, supplement their welfare aid with work income, or are deterred from applying for welfare by the prospect of work.

In Fresno County, which launched the first GAIN program last June 30, Welfare Director Ben J. Kelley estimates that it will take two years to hit the "crossover" point.

The county has a large refugee population, unemployment in the area of 12 percent, and one of the heaviest per capita AFDC caseloads in the state.

"We have seen some evidence that we are holding the line in terms of the total number of cases," said Kelley, "but it's too early to know whether there is cause and effect there. It was one of the things we were hoping for, but we haven't got the figures yet."

Fresno began quickly because it already had its own GAIN-like Employment Linking Services Program, which included a job-search club and work slots at public and private non-profit agencies.

Under GAIN, said Kelley, 300 persons have been placed in jobs, most of them "entry-level" positions paying $4.50 to $5.50 an hour with a few "outstanding" professional-level jobs.

He mentioned stenographers, truck drivers, carpet installers, field workers, quality control inspectors, bar tenders, sales clerks, printing, child care, data transcribers and diesel mechanics.

By July, said Kelley, the Fresno GAIN program may have exceeded its goal of finding jobs for 800 persons during the first year.

The program now has 4,500 participants, about half of the total number eligible. There are 23,000 AFDC families in the county.

Kelley said the county has not yet begun grant diversion or supported-work programs. He said the state is still developing guidelines.

One of the things that has helped the Fresno program, said Kelley, is strong support from the community and employers.

"We have tried very hard not to put any extra paperwork or requirements on the employer," he said, "It's the responsibility of either staff or the participants."

Fresno found, for example, that a large U.S. Internal Revenue Service center could not find enough workers at times for jobs that paid over $5 an hour. GAIN and the IRS worked out an agreement to meet manpower needs.

A new firm, Jet Plastic, is said to have agreed to hire 60 percent of its assemblers from GAIN. The jobs pay $7 to $9 an hour.

"We are excited about it," said Kelley. "We really are. I know that is an overused word. But it's so darned nice to be working in a positive vein, to know you are helping people—both the taxpayers and the people in the program. Our staff is really high on it."

As in Fresno, the GAIN program in Napa County, which began a day later on July 1, is being built on a strong existing local program.

"We have a real good private industry council in Napa, and they have been very supportive of our program from day No. 1," said Terry Longoria, Napa County eligibility services chief.

She said about half of the 564 GAIN participants are volunteers.

"The No. 1 reason for people coming on welfare in Napa County is because of divorce or separation, not because they lost a job," Longoria said.

Since July, 24 of the Napa participants have found jobs, ranging from $14 an hour at Kaiser Steel to minimum wage at McDonald's.

In one case, a woman with one child who had been on AFDC for nine years found a job as a waitress. Another recipient with an 18-year-old daughter found a $15.50 teaching job.

"The mandatory provision is having some good effect," said the oversight committee's Frederick. "We are hearing from clients that had they not been forced to participate, they would not have had the self-confidence to go back to school or training."

While the early reports from the field are optimistic, the GAIN program has its critics.

Among other things, they say, it does not address the problem of the males who father welfare children, exempts too many AFDC recipients, will not save money, and does not allow welfare recipients to work in jobs usually done by union members.

Of a number of states that have already begun workfare programs, one of the best known is the ET (Employment and Training Choices) program in Massachusetts.

The governor there, Michael Dukakis, says it is a success. But critics say it takes credit for the job placement of many motivated and well-trained persons who probably would have found work on their own.

In addition, the AFDC caseload in Massachusetts has risen slightly since the program began in September 1983, from 86,999 to 87,460, while the general unemployment rate in the state plunged 40 percent, from 7.2 to 4.2 percent.

GAIN
Sac. Union
11/10

Local survey shows most welfare recipients eager for work program

By LAWRENCE C. [illegible]
SACRAMENTO UNION STAFF WRITER

11/16

Most local welfare recipients would rather work than linger on the dole, says a survey by the Sacramento County Department of Social Services.

As a result, more than 16,800 survey respondents who said they need assistance to obtain gainful employment may find more such job opportunities under the planned statewide workfare program.

FOLLOW-UP

That much-touted program is scheduled to be started locally next summer.

Workfare is designed to ween most recipients off welfare by forcing those who can to work.

Workfare — created by the Legislature as the Greater Avenues for Independence Act (GAIN) of 1985 — requires abled-bodied men and women on welfare to acquire marketable job skills, then jobs.

Last year, the state earmarked more than $15.8 million to implement GAIN programs throughout California.

As incentives to those trying to break the welfare chain, private employers may obtain county grants to pay recipients.

This procedure, called grant diversion, may give an edge to GAIN-trained graduates entering the job market.

Workfare will be implemented locally over a two-year span beginning next July, Sacramento County GAIN Bureau Chief Jane Rasmussen said Friday.

Once the workfare program is under way, taxpayers can anticipate applause from 73 percent of the 21,600 welfare recipients who responded to the survey.

Here are some of the survey's results:

- Nearly 15,700 welfare recipients do want to obtain training that leads to employment.
- More than 16,800 respondents said they need assistance in obtaining a job that pays adequately.
- Fifty-five percent have not completed high school.
- Fifty-one percent would prefer to obtain on-the-job training.
- Thirty-two percent speak little or no English.

There are an estimated 30,000 welfare recipients in Sacramento County.

Some recipients — including single mothers with children under 6 and the incapacitated — are not required to participate in the workfare program, Rasmussen said.

Workfare will force mandatory GAIN participation on 12,156 recipients, including the unemployed principal wage earner in a two-parent household and the single parent with no children under 6.

Fifty-two percent of the mandatory participants will be unemployed fathers and 48 percent female heads of households.

At least 4,800 persons can participate voluntarily.

Child care may be paid by GAIN up to 90 days after welfare is discontinued.

A recipient may continue to be eligible for non-assistance food stamps and a medical card, but that depends on the participant's income and resources.

The Private Industry Council has received $413,930 for remedial education and other service needs for GAIN participants.

GAIN
El Centro,CA
(Imperial Co.)
Imperial Valley Press
1-15-87

Work-for-welfare program working

The early returns on California's pioneering new work-for-welfare program are in and they indicate the plan is succeeding beyond the expectations of its sponsors, who merely wanted it to accomplish two unprecedented goals: Reduce the welfare rolls at the same time it put recipients to work in real jobs.

In its earliest going, that's exactly what GAIN (Greater Avenues for Independence) seems to be doing.

In Fresno County, the state's first guinea pig, 727 persons on aid to families with dependent children had completed the job training required by GAIN as of Dec. 1. And 225 already had jobs, working as everything from security guards to nurses aides, roofers and fast-food fry cooks.

Listen to the rhapsody sung by Romelia Carrillo, a 30-year-old divorced mother of three who was on welfare for three years before the Fresno GAIN program helped her find a job in the dietary department of a local hospital:

"I wanted to work" she said. "They helped me with babysitting, paid for my first uniform and work shoes and even paid me gas milage before I got my first paycheck. Their classes helped me learn how to fill out an application and how to act during the job interview. Now I'm finally off welfare and I never want to go back on. I was shocked. I never thought the welfare department could help me find a job."

What's happened to Carrillo demonstrates how different GAIN is from the short-lived workfare program that was one of ex-Gov. Ronald Reagan's pet programs during the early 1970s. At that time, welfare recipients in several counties actually were forced to pull weeds, sweep floors and clean parks to get government assistance.

But none got useful job training and virtually all stayed on the welfare rolls as the plan was eventually killed by Democrats in the state Legislature who called it a form of "slavery."

If the new $250 million a year program is slavery, an awful lot of welfare recipients seem to want it.

For volunteers abound in the 10 counties that have already begun using the GAIN system, which is scheduled to include all of California by September 1988.

"Almost all the counties on the plan are getting hundreds of volunteers asking to be phased in early," reports Thomas Burke, GAIN implementation coordinator for the state Department of Social Services. "There's been no 'I don't want to do it' sort of thing."

Stanislaus County is typical, says Burke. The county had planned to wait for annual eligibility reviews before putting existing welfare clients into its GAIN classrooms, but had to expand classes to accommodate volunteers.

As for the expected movement of welfare recipients across county lines to escape the program, that hasn't happened, Burke says. "We don't see any increases in caseload in counties neighboring those that have already started."

And employers are also apparently enthusiastic. "Fresno, Napa and Madera counties have each had dozens of small businesses call in and volunteer job listings," Burke said. "That was totally unexpected."

But there has been a continuation of one aspect that Fresno County officials hesitantly reported when they began using GAIN in July: At that time, county officials said that about 20 percent of would-be welfare applicants were simply walking away when they learned they'd have to take training and seek work.

Now the county and state aren't so definite with the percentage, but Robert Whitaker, Fresno County GAIN coordinator, says "We know there's a falloff."

The positive response from both welfare recipients and potential employers apparently stems from the bi-partisan nature of GAIN, which won strong Democratic support in the state Legislature because it was so different from the old Reagan program.

"This is the only plan in the country which tailors requirements for each individual," said Marc Pinckney, a spokesman for the state welfare department. "We're giving instruction in English, high school equivalency training, day care and transportation where needed. It's not just a make-work program."

So GAIN obviously has attraction for liberals. And its tough participate-or-lose-your-benefits rules appeal to conservatives, too.

So far, the plan is an obvious success. But the figures aren't in yet from the few urban counties already on the plan and big counties like Los Angeles, San Francisco and Alameda won't begin until the deadline draws near.

So the jury is still out on GAIN, but all signs are positive.

THE TRIBUNE

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C-6 Wednesday, October 15, 1986 **Oakland, California**

WIN one for workfare

Unless quick action takes place this week as the Senate-House conference committee wrestles with the 1986-87 federal budget, California's new workfare program will take a devastating pruning just as it's beginning to grow.

Hard-working Californians interested in seeing more poor and jobless citizens leave the welfare rolls and join the tax rolls should contact their representatives in Washington. The message they should deliver: Trimming back the federal funding that helps pay for the state's pioneering workfare program is a fiscally and socially unacceptable move.

The program, known as GAIN (Greater Avenues for Independence), came about last year through a compromise hammered out between Democratic legislators and the Deukmejian administration. Both normally combative factions knew that public opinion — even among many recipients — demands change in the too-often dead-end welfare system.

Financed jointly by state and federal funds to the tune of $93 million, the program has begun in five counties and is slated for implementation next year in Alameda and Contra Costa counties.

But now the portion of GAIN's funding that comes through the national Work Incentive (WIN) program is in jeopardy. Compared to this year's allocation of $350 million, the conference committee is considering only $110 million nationwide for next year.

Since California usually gets about 10 percent of the national total, the new figure would trim the state's current allocation by two-thirds, from about $35 million this year to only $11 million next year. So big a budget cut would cripple GAIN before it becomes fully operational in the state.

Under the program, all recipients of Aid to Families with Dependent Children except parents of children under 6 choose between looking for work independently, getting remedial education, training for a job or taking a job-finding workshop, backed by necessary child care.

Those who don't find jobs keep their welfare grants by accepting assignments to part-time public or non-profit work while continuing their job search or training. Public sector jobs must have some connection with the training recipients have completed and must pay at least $5.07 an hour, equal to average starting pay statewide.

With emphasis on real jobs and decent hourly wages, GAIN avoids what San Francisco Assemblyman Art Agnos, one of its architects, calls the two most objectionable components of previous workfare programs, "meaningless 'make-work' jobs and unfair, low pay." Even participants see it as "a way of getting out" of welfare, a way "to put pride and dignity in people."

Good workfare programs benefit taxpayers, too. While a fully operational GAIN will cost the state some $180 million in extra funding each year, its successful implementation will save some $272 million in AFDC grants each year.

Turning previously dependent adults into job-holding and taxpaying citizens will pay dividends in the long run. But the state must have sufficient help from the federal government in order to reach that goal.

Fresno Bee
Fresno Co.
9-26-86

County officials can't get US welfare rule changed

27

By LLOYD G. CARTER
Bee staff writer

Fresno County Supervisor Vernon Conrad and county Social Services Director Ben Kelley said they were frustrated and deeply disappointed following a futile attempt to convince Reagan administration officials to change the work rules for welfare recipients.

Conrad and Kelley expressed irritation Thursday for being "lectured" on welfare issues by Wayne Stanton of the Family Support Administration in the Department of Health and Human Services during a Sept. 19 meeting in Washington, D.C.

Under a 1972 federal rule, the head of a household that receives support under the Aid to Families with Dependent Children Program cannot work more than 100 hours a month or all benefits are cut off.

Conrad and Kelley said the 14-year-old rule, originally intended to keep people off welfare, has instead encouraged people to stay on welfare because they get more benefits than working full time for minimum wage.

"We're very unhappy," Conrad said. "That rule is counterproductive."

The two county officials say many welfare recipients would work at minimum-wage jobs in excess of 100 hours a month if they could still retain some welfare benefits.

But Conrad said Stanton was dogmatic in opposing a waiver of the 100-hour rule to allow Fresno County to conduct a three-year experiment with welfare recipients under the state's new GAIN workfare program.

Instead, Conrad said, Stanton dragged out the old stereotypes about welfare recipients and gave them a lecture "on all the things California was doing wrong."

Both Fresno officials said Stanton typified an entrenched federal welfare bureaucracy that was responsible for the 1972 rule in the first place.

"We feel it is much better to have people working and contributing to their needs," Conrad said. "There are very few jobs available for people who find themselves in this circumstance."

Fresno County has been urging the Reagan administration to waive the rule for three years with little success. Gov. Deukmejian originally supported Reagan but now supports the waiver experiment, hoping it would boost the GAIN program.

"It's just beyond me why we can't put together a program which shows so much promise," fumed Conrad. "We're certainly not going to quit."

Kelley said the California Legislature and all members of the California congressional delegation support a waiver experiment in California. Sen. Pete Wilson has promised to lobby Reagan officials.

Rep. Richard Lehman, D-Sanger, has introduced legislation to waive the rule for California but his bill made no headway during this session of Congress and will not be considered again before January.

Kelley said he had 300 welfare recipients in Fresno County on a target assistance program who were ready to take minimum-wage jobs. But because the county has been unable to guarantee that welfare benefits would continue, only two actually took full-time jobs and 48 took part-time work.

Kelley said more than 125,000 people in Fresno County remain below the poverty level.

STATEMENT OF THE HONORABLE DANIEL J. EVANS, U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator Evans. I am pleased to do so, even though his testimony will be delayed a short time.

I have felt for a long time, and especially from my previous incarnation, that the best of ideas very often come from the states, are transmitted through their successes to other states, and eventually work their way up to national policy.

I can't think of anything more important for us to be doing today than trying to find a better policy in the field of welfare. I know the Chairman agrees with that, from his eloquent testimony and speeches of the past, in terms of the breakdown of our current welfare system, especially as it relates to AFDC, and new programs and ideas which could allow us to do a better job.

I have presented a program under the Federalism Act of 1986. I have testified before your committee before on that. The rather unique, I think dynamic, interesting program that Governor Gardner has suggested for the State of Washington is fully in accord with the Federalism Act, which is much broader of course in its coverage; but this proposal of the Family Independence Program or plan I think is terribly important. That is the plan of the Governor of the State of Washington. He has developed it with a considerable amount of investigation and preparation. He will present it to you this morning, and I certainly urge this Committee and this Congress and this Administration to listen carefully to what he will have to say, and hopefully to react with the necessary waivers, some of which will be administrative in nature but some may require some legislation.

I think it is imperative that we allow states with good ideas, with innovative ideas, to proceed in their directions and give us from their experiences better answers from which we can craft national programs.

Senator Moynihan. Sir, I couldn't be in greater agreement, and the evidence is so clear. We just heard from Mr. Agnos describing what California was doing, and ascribing it in the first instance to the inspiration of Governor Dukakis in Massachusetts. And next, shortly, we are going to hear from Governor Gardner of Washington. Something is happening out there, and it is happening the way it was supposed to happen, that the states would have opportunities to innovate, experiment, and deal with different situations in different ways, and if we are going to have some national uniformities, Congress can legislate them in a consistent way.

We are looking forward to hearing your Governor, your successor, and we thank you very much, sir.

Senator Evans. I wish I could stay and listen to him personally, but I have already had an individual briefing from him on this plan, and I commend it to you and commend it most highly.

Senator Moynihan. Thank you very much.

We are going to be democratic here. Senator Kennedy arrived just after Mr. Agnos began speaking, and we welcome the distinguished Chairman of the Senate Committee on Labor and Human Resources, who has already brought his work component to this puzzle. It is out of the Committee, and I think yours is on the calendar, is it not, sir?

STATEMENT OF THE HONORABLE EDWARD M. KENNEDY, U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator Kennedy. Thank you very much, Mr. Chairman.

The bible teaches that it rains on the just as well as the unjust, and today it is snowing in Washington and on all of those who are concerned about trying to bring some enlightened and informed and compassionate leadership in the whole area of welfare reform, and how we are going to move people off dependency.

I welcome the leadership that you have provided here in this Committee and, most importantly, for the Senate, and for our country. I think all of us in this body know very well that this has been a subject matter where you have spent an enormous amount of time and creativity. Those across our country who have been interested in an informed and enlightened policy have listened to your voice, now the country is addressing these issues. I for one want to say what a pleasure it is to know that you have the responsibility here on the Finance Committee, to lead the body of the United States Senate, and how much we on our Human Resource Committee are hoping to work with you in a constructive and positive way. We have enjoyed working together in the past as friends, and we welcome the opportunity now to try to see if we cannot put on the unfinished agenda of our country the proposals which can make some difference to millions of people whose lives have been blighted with the inevitable outcome of continued life on welfare.

Mr. Chairman, I know you have a very full morning. I would like to file all of my material and just review this program with you for the record. I know you are very familiar with this concept, with the program. We have had a good opportunity to talk at considerable length in the past about it, so I know that you are familiar with it. We will file all of the statements and related materials so that it will be available for the record, for members of the committee and their staffs, and I will just review this briefly with you again to try to highlight the program this morning.

All of us understand very well, Mr. Chairman, that the basic kind of fundamental welfare package lies within the Finance Committee and must be determined, shaped, addressed before the Finance Committee. Our responsibility on the Human Resource Committee, is basically to try to find ways of moving the people off welfare and onto a path of some hope and opportunity, and trying to bring together some of the elements which have been outlined here this morning and which have been raised in our own committee hearings—areas in education, some training, other kinds of support services which can make such a difference in terms of the needs of many of the families today.

Senator Moynihan. Could we ask what we have?

Senator Kennedy. What we have here, Mr. Chairman, is a chart. Our first column here, lists the total numbers of the AFD households; from 3,700,000 families, this is probably 10 to 11 million Americans. This, as you know, is only the AFDC. It doesn't include all of welfare, but a very substantial part. So, we have the 11 million Americans who are living in the approximately 3,700,000 families.

We have a program in our Human Resource Committee on which the Federal Government spends about $2,800,000,000 called the JTPA Program.

Senator Moynihan. That is the Jobs Training Partnership Act.

Senator Kennedy. The Senator is correct. The Chairman is correct. And we, in the period of the last five years, have fashioned that program, trying to take into consideration various other training programs—the old CETA program, job Manpower programs—to try to bring into this program a more active private-sector component, and quite frankly we have had a very considerable success involving the private sector. That has been one of the successes of this particular program.

It has placed some 6-700,000 individuals into employment; but, of the 650,000 people that it has retrained, only 150,000 of those individuals have actually come from the AFDC program, and that is a very significant and important statistic.

Of the 150,000 AFDC participants in JTPA, only 25,000 of this number would have actually been in what we call the JEDI target group. Now, the JEDI target group is a defined group in the legislation that indicates has not attained 22 years of age, has not completed secondary school or its equivalent, has had no work experience in the year preceding the year for which the determination of eligibility under the Title is made.

So, what we are doing here, Mr. Chairman, is to recognize—based upon all of the past studies which you and this committee have been interested in—that we can tell today—the Congress can, the Governors can—when the person walks into the office, that day, that if they fall into this category defined in our part of the JEDI Program, we are 65-percent certain that they are going to be on welfare for a period of 10 years.

So, the thrust of this is to try to take this targeted population which we know, based upon studies, and see what can be done about those individuals.

We will address in our Human Resource Committee the 650,000 which we are rertaining now to see how we can make that more effective. In carrying through our responsibilities, we want to retain private sector involvement. And we are very hopeful, Mr. Chairman, as we fashion this JEDI Program, which is targeted in this population, that we can include the private sector component in there, as well.

Now, the thrust of this legislation provides that when this individual which I have described here falls within this particular category, and you know that there is statistical evidence that they will remain on welfare, is employed and it is certified that they have been employed at a rate which will have been the equivalent—at least the equivalent—of the sort of resources that they would have received; that savings will come to the Federal Government. We know, of the total dollar which is actually expended in support of welfare, AFDC, about 63 percent of it comes from the Federal Government.

So we are going to see sizeable savings when an individual is moved, as we have seen occur in other programs—in the ET, the

MOST and WIN and ACCESS and other kinds of programs. So, of the savings that come to the Federal Government at the end of the first year, 75 percent of those savings go to the state; in the second year, 50 percent of the savings go to the state; in the third year, 25 percent. So that is a bonus to the respective states.

Now, what does that amount to, Mr. Chairman? That amounts to this: That the states themselves would receive $3684.00 for the training and placement of these individuals. We have seen in our own Commonwealth of Massachusetts that about $1,600 of training goes into this. It may vary between $1,600 and $2,000. We are not wedded to what that percentage is—75, 50, 25? I think you could make a good case to even increase this—but we have basically taken what we consider to be a responsible, a bonus, provision and put it into place. That would represent 3,600 in 1984 dollars, as I say, anywhere from $1,600 to $1,800 for the first year. You really can't do very much less. Some states do, with $600 to $800, but all you are basically doing is a research program on want ads; you are not really getting a varied and effective program. But if they do the kind of program that we have seen in the ET and that the other states have done, you can get into qualification for these individuals who will be, then, employed, and the states get $3,600.

This figure over here, this line over here, represents the $26,950—what would have been the dependency cost, the federal cost, to the Federal Government for that individual who, again, is defined in this legislation. The best statistical information is that it would have cost the Federal Government the $26,000. So, this program is saving the amount of money here, some $25,000 to the Federal Government over what would have been the projected dependency life of that individual. The important fact remains that not one nickel is expended in this program until actually you have an individual who is gainfully employed for the period of that one year.

That is, basically, Mr. Chairman, what the incentives program provides for the states. We give maximum flexibility to the states to be able to develop the kind of program, using the experiences that have been worked out in the States of Washington and California, the State of Michigan, and other political subdivisions. Some communities have worked out similar kinds of programs.

We reference those particular features of the various programs that are compelling in terms of health services support, daycare services support, other kinds of support services which have been common to successful programs across the line.

We do not tightly restrict, when the benefit comes back to the states, how they are going to use those resources. We would insist that they would use those resources for this kind of a program, but we do not restrict those programs.

We recognize now that we have anywhere from $250 million to $300 million which has been appropriated which has not been expended for this program. We hope to be able to use those 250-300,000 to begin to focus incentives to the states where they have the highest numbers of AFDC individuals for targeting, and then we hope that this program will be unlimited; because we do believe that, if the states move toward this kind of a program, if they see the incentive, they will know it is going to be a sound investment for them for the future. If they put up the $10 million or $20 million, hopefully they will know that over a period of time, a few years, they can get reimbursed by the Federal Government in this area. So, it will be a sound and responsible incentive for those states to begin to multiply the effect, really, to provide the initial kinds of resources with monies that have already been budgeted, through appropriation, and have not been expended—no new kinds of funding on that, no new budgetary consideration—carrying forward what we think are the central responsibilities we have in trying to address these particular needs.

So, we are hopeful, Mr. Chairman, that we can continue this type or innovatile policy. As a leading, prime cosponsor, your own support for this program has been enormously valuable and very, very important. Your insight and constructive suggestions as we have been shaping this program has been enormously worthwhile. We are grateful to you for it; we have bipartisan support for it, strong bipartisan support in our Human Resource Committee, and we are hopeful of being able to work very closely with this committee as you are moving in this whole area of welfare dependency, so that we can have a constructive, positive and humane, cost-effective program for those people who have been left out and left behind in our employment system.

Senator **Moynihan**. This is absolutely first-rate stuff.

We welcome Senator Rockefeller. Senator Kennedy has been describing the JEDI legislation which has now been produced and introduced.

The basic notion is that this starts with something we have learned. We have learned that what we think of as the population of welfare is not just one uniform group of people. There are some who need assistance because of temporary circumstances. But like unemployment insurance—and unemployment insurance is part of the Social Security Act; we sometimes forget that—there are particular groups of young persons, and you described them, under 22, not finishing high school, not having steady jobs, and when they appear in a welfare category, they are going to stay there unless substantial efforts are made. This is a proposal to target some of the available resources and reward the efforts of the states, who are obviously more and more concerned and willing to try.

You know, this is learning. It has been a process of learning, and I just hope that this legislation is on the President's desk by July, if not sooner.

Senator Rockefeller, we welcome you through the storms of February.

STATEMENT OF HON. JOHN D. ROCKEFELLER IV, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator **Rockefeller**. Overestimated, Senator.

Senator Kennedy, your family has much to do, in my judgment, with the concentration and the bringing to attention given to poverty in America. Your brother, President Kennedy, visited West Virginia, as did your brother Bobby, and you have come to our state many times. You have seen it in ways which few others have, and you have responded to what you saw. The food stamp program, the Appalachian Regional Commission, and a lot of other important programs went to work in West Virginia because of you and your brothers.

One of the concerns I have with respect to the "JEDI" proposal you are now presenting is that it rewards only non-subsidized employment. When I was Governor we started, in 1981, a CWEP (community work experience) program with the hopes that we would be able to get welfare recipients into nonsubsidized jobs. But we couldn't, because there weren't any jobs, and there aren't any jobs now.

Is that a flexible or inflexible part of your program? I can understand it working in a number of states where there are jobs. But you go down into McDowell County, where you have been, into Boone County, and into Raleigh County—there are not free enterprise jobs down there. And if you want a young person or a mother or a father on welfare to go and help as a Deputy Sheriff or to work with the streets program, or something of that sort, that will work; but "free enterprise" there is not. The coal mines are shutting down and the steel mills are not operating. As you know, 4 percent of the land is flat and 96 percent is mountainous, and there is not much place for new businesses.

Now, I don't mean to overexaggerate—all states have problems—but is the non-subsidized job a requirement for the reward in your program?

Senator KENNEDY. Well, it is in the legislation, Senator. We have built this particular program on the states' efforts, and there have been a number of them who have worked very closely with the kind of support services and education, health, and the other kinds of support services, in moving people off the dependency, and working with a number of the private enterprise groups and it has worked in that area. And that, I would hope, would be maintained and would be the principal thrust of the legislation.

But I think, as that is certainly the purpose of these hearings, to try to find out how we can best shape solutions that are going to be responsive to particular problems we are facing as a country, we are clearly a multidimensional nation.

We would be glad to work with you and your committee to see what particular features of this might be adaptable to areas not only in your own state of West Virginia but are common, clearly, in eastern Kentucky, parts of Tennessee, I imagine, and other parts of the South-Central part of our country. And we would be glad to try to see what suggestions you have.

We have seen over the period of the past several years in many other parts of the country that being able to place these people into employment has not necessarily depended upon the levels of unemployment. We had in our own State of Massachusetts reduced our unemployment in the Seventies by half and doubled our welfare population.

In shaping this program, we were trying to put that concept aside, trying to spend more time and effort to find the various kinds of possibilities in the employment and training arena. Clearly, we have had some success in our own state, through a variety of different circumstances.

But accepting that even in some other states where they have had higher employment, these programs have worked even in places like Michigan—I know Congressman Levin will speak—

where they have had higher unemployment, and they have still been able to work out these kinds of programs.

So, we want to keep that kind of a thrust.

I want to say I would welcome the opportunity to work with you, Senator, to try to find out if we can take the concept and the spirit here in order that we move people off the dependency rolls and onto paths which offer future and better open opportunity. That is the central thrust of the legislation, and if there are other ways of doing it, we would welcome the opportunity to work with you.

Senator ROCKEFELLER. Thank you, Senator.

Mr. Chairman, I have pointed out to Senator Kennedy a number of times, and he knows it very well, but I would like to say to you, too, that in 1964 I was a young student learning the Japanese and Chinese languages, and I worked for the Peace Corps—which of course was started by President Kennedy—I also worked at the State Department. I went to talk to a young Attorney General by the name of Robert F. Kennedy. He told me it would be a good idea to be a VISTA volunteer and helped me to go to West Virginia. That was 23 years ago.

I also am struck by the wealth of programs and ideas that are coming out of both parties now. It would seem to me—remembering back to that time and being a VISTA volunteer, talking about welfare issues the way we are now was almost un-American. Now, there seems to be tremendous intellectual integrity, compassion, and a surge of interest in really doing something that is meaningful for people that get trapped.

As you indicated, if people are on AFDC for more than 2 years, they may stay on it for more than 10 years or for a lifetime. Only a very few of them get off after a certain amount of time. So, this thrust to do something on your part, Mr. Chairman, and Senator Kennedy's part and Sander Levin's part and other people's part, I think is terrific, and I have nothing but my highest respect for you, as well as great gratitude to the Kennedy family for even being in West Virginia in the first place.

Senator MOYNIHAN. Can we agree that we will get our staffs to work on this particular question that Senator Rockefeller raises, which is what you do in a situation where there is simply not that employment base to work with?

Senator KENNEDY. Sure. We welcome the opportunity.

Senator ROCKEFELLER. Thank you.

Senator KENNEDY. Thank you.

[The prepared statement of Senator Kennedy follows:]

TESIMONY OF SENATOR EDWARD M. KENNEDY BEFORE THE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

FEBRUARY 23, 1987

Nearly four million American families will receive Aid to Families with Dependent Children (AFDC) this year. And most of these families will receive AFDC for most of ten years. These are the most needy and most expensive of the poor -- they have the fewest resources, all have children, and these families will consume most of the AFDC dollars spent each year.

Federal job training efforts have largely missed this group. Not only do federal efforts suffer from a lack of resources, but the resources we have are misdirected to those who are easiest to place rather than to those most in need.

The principal federal job training program is the Job Training Partnership Act (JTPA). JTPA spends $1.8 billion each year on job training for 700,000 "economically disadvantaged" persons, but less than 150,000 AFDC recipients are enrolled in the program, and of these perhaps as few as one-third are long term dependents. The Work Incentive Program (WIN), funded now at $115 million, provides less than $35 per welfare family, and even this paltry amount is often targeted to those for whom jobs are easiest to find rather than to those for whom job training would be most helpful.

There is impressive evidence that job training efforts directed to the long term poor can succeed. The Massachusetts Employment and Training Choices program (E.T.) has reduced the number of families that remain on AFDC for five or more years by 25%, and it has reduced the average time that a family spends on AFDC by one-third.

Despite the impressive evidence that action can succeed, too little has been done. JEDI creates a new incentive for states to find, train and employ the long-term dependent -- and it does so in a way that reduces the federal deficit.

JEDI identifies two groups that are likely to receive AFDC next year and for several years. If an agency, private or public, within a state trains, places and privately employs a person from those groups for one full year, the federal government will pay the state a bonus of 75% of the federal AFDC benefits that would have been received by that person if, the person has not been employed. In the second year of successful employment, the state receives 50% of the predicted AFDC payment, and in the third year 25%. In the average state, the JEDI bonus would be $3,684 over three years' time.

No federal bonuses will be awarded until corresponding federal savings have been achieved. Thus, while the federal government would pay out $3,684 in average bonuses over three year's time, it would save just as much. In fact, because the target groups identified by JEDI stay on AFDC an average of eleven years, the federal savings produced by a successful placement will be several times the bonus amount. JEDI will not fund failure -- only successful, long-term results are rewarded. Maximum flexibility is afforded to the states; JEDI does not dictate how to deliver successful results.

Finally, JEDI could be the catalyst for real change in long term dependency. We know that dependency costs money, and that solving it costs less. By offering strong fiscal incentives for success, we can bring to hear the best of government and of the market's forces to produce a result we all desire -- and at savings we greatly need.

Senator MOYNIHAN. Thank you very, very much.

That is exactly our experience, what they are doing in Human Resources, of disaggregating the welfare population and not just seeing it as one undifferentiated mass of people. There are persons who are temporarily in distress. At times that happens to families, and that is why we have social insurance. Yet there are other people who are in real trouble. And if we don't get to them, we have failed them.

About 25 percent of AFDC recipients account for nearly half of all years spent on welfare, which we didn't know before. That is one of the nice things about this country—every so often we learn something.

And one of the other nice things is that we have friends from the House come over to teach us from time to time.

Mr. Levin, we welcome you, sir. You are here despite a snowstorm, hail, and what you will.

Our distinguished friend, who has distinguished connections in this body as well, we welcome you.

STATEMENT OF THE HONORABLE SANDER LEVIN, U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

Congressman LEVIN. Thank you so much.

You have been known for your perseverance, and one test was this morning. This may be the only hearing going on on The Hill. One rumor was that they plowed the streets of Washington so you could go on this morning.

Senator MOYNIHAN. Well, you were here. You were the first to arrive, Congressman.

Congressman LEVIN. Mr. Chairman and Senator Rockefeller, one item that was not buried was the revision of the bill that we introduced last year and that came from the Legislative Counsel before the storm to our offices late on Friday. I know we intend to reintroduce it, and I wanted to comment briefly on the circumstances today as compared to last year and the years before.

For many years, you were a voice in the wilderness, and now there is a rather large chorus. You are still the leading—what is it?—baritone or tenor, I am not sure which it is, but the numbers have grown. And I think it is interesting to ask why.

One reason, it seems to me, is just the sheer numbers of poor kids and young adults. Society is more and more taking cognizance of the millions who live in poverty and the increasing numbers.

Second, Mr. Chairman, it has become more and more clear the link between lack of training and education and poverty. I come from Michigan. It is clear that the day of the decently-paid unskilled job is over—it is over. For my generation, if there were no training, no skills to begin with, there was a blue-collar job. I was one of them. I was one of the most unskilled tool crib men in the history of Dodge-Main and was paid a rather decent wage. Those days are behind us.

Another factor that has been changing, as you have so eloquently pointed out, women are working. Another factor, training works. Training has been working.

And a fifth factor that has been more and more evident has been state experimentation. There has been reference this morning to the MDRC report, and the GAO report in its usual blue cover, quite thick. And we should not overstate their conclusion, but we should not lose the significance of it.

The gains have been modest when welfare and work have been creatively linked, but they have been real. As you have pointed out so clearly, there is more to welfare reform than the welfare-work linkage; there is the issue of child support and the issue, also, clearly, of the levels of benefits.

But the welfare-work issue is an area, as I mentioned in page 4 of my testimony, that has driven the deepest wedge into reform efforts in the past; and I think, until it is resolved, it is likely to deter progress on other issues.

Even if we can make a start, a further start this year, and I hope we can, on the income side—it is badly needed—it is my guess that we won't reach adequacy until there is a system in place that is helping people move forward and not leaving them where they stand. And as importantly, there is a public perception and understanding of that progress.

The work-training component, in my estimation, is a fundamental part of comprehensive reform, likely its leading edge.

I was in St. Louis Saturday talking to a welfare reform group about the interaction between opportunity and obligation. I think it has been shown in a number of states that the welfare-work linkage, if it is creative and not just negative and punitive, is a meeting ground. It is where opportunity and obligation can constructively meet.

So I think it is time to move ahead. We are planning on reintroducing our WORC bill I guess this week, with some changes. Let me, if I might, just briefly describe it—very, very briefly indeed.

Senator MOYNIHAN. No, you got here; take your time.

Congressman LEVIN. All right, thank you.

First, it embodies a national mandate for welfare reform and for these creative efforts to link welfare and work, and it is a national mandate that is a mandate to the states.

In our State of Michigan, and it has been true in most states, there has been this bifurcation between the welfare departments and labor departments.

Senator MOYNIHAN. Yes.

Congressman LEVIN. Right, and the twain did not quite meet. The welfare department took care of payments, the labor department took care of training. So, there is a national mandate with a requirement, with a clear placement of responsibility in welfare agencies on the federal level and on the state level.

There is also a mandate that there be registration, counseling, and assessment of non-exempt recipients. There is also a mandate within our bill that education and training must be provided. There is also a mandate for child care and transportation and, after further assessment, we are building health into this as a transition service.

How these mandates are carried out is left to the states. There is flexibility. It builds on the experimentation within the states. How far mandating goes is up to the states, the difficult issue of whether work itself is required, and for people with children, of what age?

When I was in St. Louis on Saturday, I urged everybody not to become hung up only on the issue of mandating work. It needs to be worked out. States come to different conclusions. Massachusetts, with ET, came to one. They wanted to emphasize the opportunity, the assessment, the counseling, and felt that because most people on welfare really want to work, the response would be there.

Other states have gone beyond that. But it is interesting as you go into this—and I have tried to follow your lead—how much variation there is among the states—right?—as to the mandatory nature of work.

But our bill goes beyond a national commitment and some mandating with flexibility; it puts some resources where our commitment is.

It is interesting to hear from California. The same story is in every state. They say, "We'll be creative, but we want linkage with the Federal Government, and we want some help from the Federal Government." And so we provide resources, as you so well know, on a 70/30 federal/state matching basis for training and retraining, and 50/50 in terms of administration, child care, and transportation.

We also worked hard in this bill to incorporate some performance standards, so that we just don't judge by numbers, so it isn't just a revolving door in and out, so that there isn't—I don't like the word "creaming" because people aren't the product, but we know what it means. In JTPA, one of the critiques is that money has been short so that the easier cases or instances have been emphasized, a lot of resume preparation and the like. I think that is an overstatement, but there is some truth in it.

The performance standards in our bill, WORC, go beyond that, and we are concerned about placement, concerned about quality as well as quantity, and we have built an incentive into it for the meeting of these performance standards.

The cost? I want to say a word about cost as I finish, and also about pace. In my testimony there is a discussion of pace—and I don't mean this in a partisan way, but I mean it in a clear-cut way. I point out that the Administration, in their recent study that you commented on, "Up from Dependency," and in their draft legislation, seemed to be emphasizing that we needed another five years of pilot projects. You know, I think we have the ship, a variety of ships, and we don't need more pilot programs.

In his statement releasing his report, the President said, "We must face up to what we don't know." I think what we are saying here is that it is time to face up to what we do know.

We have had five years of local experimentation and initiative, and now is the time to act. We are the first to say that we don't have all of the answers, but we know a great deal about what it takes to help those on welfare to become self-sufficient. Our rallying cry should not be five more years of pilot projects.

A final word on costs: The bill is going to be bipartisan. We have been working on that in the House. There is a realization that it is going to cost some money. You and I asked CBO to estimate our bill last year, and they came back with a cost of about a billion dollars over five years. We sent it back saying that was probably too low. They returned with the same estimate. With the amendments, the costs will be higher, especially if we handle the issue of Medicaid.

It makes no sense, as you said so clearly, for us to try to stimulate training and work if the cost is the loss of health care for the recipient, right?

Senator MOYNIHAN. Yes.

Congressman LEVIN. This makes no sense at all. So, there will be a cost. But we need to ask ourselves: Is a billion or two billion over several years worth it? And the answer coming from the states, coming from welfare recipients, more and more coming from the public, and certainly coming from both sides of the aisle in the Congress is that it is worth it. In the end we are going to save money, perhaps. Clearly, in the end we are going to save lives, in terms of hope, in terms of fulfillment.

I am proud to be associated with you, Mr. Chairman, and with your colleagues, and I think perhaps—somewhat to the surprise of at least myself—the pace is moving faster.

Senator Kennedy and I were discussing your vim and vigor and vinegar. I think you have helped a rebirth of this issue, and it is time to begin to deliver the child.

Thank you.

Senator MOYNIHAN. Very generous, too generous, but beautifully stated. [Laughter.]

Now, the case for the WORC legislation. This is an idea whose time has come, and I think this is the Congress in which we are going to see it happen. There is no reason whatever not to pass this legislation this year and see it in law.

What we are dealing with is a generation of children. We look up in this world, suddenly, and the whole American spirit has gotten reversed; we had just become settled with the idea that each generation is a little better off or considerably better off than the previous generation, and suddenly we look up and wonder if this is not just reversed, that the best times have passed. And as you look down the age scale, you see the problems of poverty and dependency rise. I mean, one child in five in this country right now is living in poverty. And if that is our future, what happened to us? It is just beginning to sink in. You know, it is 17 years. I think Senator Rockefeller knows this: the median family income in our country has not risen significantly in 17 years. There just has been no previous experience of this kind.

And the point you made about the day of well-paid unskilled work being over. I remember in the first Manpower Development Training Act of 1962, I was then the Assistant Secretary of Labor. We used to find in places like Detroit, men who would come up from the South or in from West Virginia or up from Mississippi—you know, the Illinois Central Railroad, that kind of thing—and they had been perfectly self-supporting, well-paid, stable workers. Then the plant closed, or something happened, and it turned out they had no skills of any kind; they did very well what was required of them in the first round of industrial life, but when that disappeared we just found people desperately in need of training that had not previously been required in the New World. And to act like there was something the matter with them was to deny the reality. We have done it, we continue to do it, and either we are going to get ourselves together in this thing or we are going to have a lot of trouble, I think.

Senator Rockefeller?

Senator **Rockefeller**. Mr. Chairman, I have to say that I think Congressman Levin put his finger on something very important that ought to be said at all public occasions, and that is your own heroic history on this subject.

I can remember many articles about Senator Moynihan, in years past dealing with his vews on welfare—few of the articles were flattering. But it appears today, people are recognizing that he was telling the truth at a time that it wasn't very popular to hear it.

I say that as background, again to stress the really superb work that is being done on this. I had forgotten, in a sense, how important this was. I guess I had forgotten it because I wasn't sure that anything could ever be done about it.

Mr. Chairman, if you will indulge me a memory, I mentioned a moment ago that I was a VISTA worker quite a long time ago, and I can remember taking a young man who was of employable age from the community where I was working. In that community there were 56 families, 50 of them were on welfare, and I worked there for two years as a VISTA volunteer. This young man had everything, Congressman Levin, presumably going for him—he was able, he was attractive, he was energetic, he wanted to work. But he was untrained. I took him in for a job interview in Charleston, West Virginia, our state capital, to a plant where I had arranged for the job interview.

So, this young man of willingness to work came in, and we had to go up to the fourth floor for the job interview. We went up on an elevator, and he had never been on an elevator. If you have never been on an elevator and you go up for the first time, that is not an easy experience.

So, when he came in for the job interview, Mr. Chairman, he was a fairly traumatized young man. He sat down facing the person who was going to ask him the questions, and I was right by his side as a support system—I was his friend. Behind the interviewer was a window, and the sun was pouring through it into his eyes. He was, one, nervous, and two, wasn't able to respond very well because he was uncomfortable with the sun beaming right into his eyes.

So, the interviewer told him to lower the blinds. Well, the blinds were venetian blinds, and in Emmons—this community where I worked—venetian blinds were not prevalent. So, I watched this young man over a period of about a minute and a half, I would say, try to do something called "lowering the venetian blinds." And I watched him in his frustration, unable obviously to do anything with the blinds. He ended up finally taking the bottom slats and hanging from them with his full weight, feeling that he had to "lower the blinds." The result, of course, was that he was so utterly humiliated he couldn't even, as I remember, answer what his name was when the interview started.

That struck me then, that on the one hand there were the people who want to work, as did he, as opposed to the people who would have the skills and the training to work, and how a venetian blind—much less math, science, education and verbal skills—could undo a willing young worker.

I find in West Virginia now, Mr. Chairman, we have the highest participation—at least we did in 1985—of people participating in the WIN Program, according to this report that you have before you, Congressman Levin. People are trying. And we also have the lowest success results in terms of WIN participants entering unsubsidized jobs of all of the states—the highest number of people trying, the fewest coming out of it with success—because there is not work.

And at some point when there is no work, people begin to know that, and then they begin to get discouraged, as did my friend get discouraged. He just—after about six months later—he was gone. You know, where he is today, I have no idea—long, long gone. That kind of humiliation he didn't need in his life. He tried once more for a job, and it didn't work, and off he went.

So, do we need more study? No. I saw these things 20 years ago; the Chairman saw these things more than that; you have been observing them. I mean, we don't need more studies; we need action, we need programs.

Yes, it is going to cost money at the beginning, the program which you two are sponsoring is going to require increased funding at the beginning. But I also think in time it will save money. And I think we have to be willing to pay that money now to save money later on, and to do what we need to for people who want to work, who could work, but who simply must get the training to get a job.

I like your notion of performance standards very much. I see a possibility, in fact, in terms of a whole new view of welfare as a problem of national conscience which doesn't have a dark and nasty side, and performance standards will help to legitimize our efforts. You know, if we do this properly, if we are tough, then this effort will become like other programs—worthy of consideration because they are applying rigorous standards, and people should come to accept the program and not be as hostile towards it.

I think the WORC Program which you two, Mr. Chairman and Congressman Levin, are putting forward is a superb program, and I would ask the Chairman's permission to be a cosponsor of that proposal.

I enormously admire what you both are doing, and what you have done for so many years, Mr. Chairman.

Congressman LEVIN. Thank you.

Senator MOYNIHAN. Thank you, sir.

Congressman LEVIN. If I might just close by referring to your reference to WIN, the program, the funding expires in June, I believe.

Senator MOYNIHAN. Right.

Congressman LEVIN. So, there is a sword dangling, and let it be a target. Maybe we can get out of this wonderful institution a bill, if not by June, by summer, for a Presidential signature.

Senator ROCKEFELLER. And along with that sword dangling, Congressman Levin, there has been chopping in the last several years. You know, I am not being political, either, but a few years ago we used to get $4 million for WIN in West Virginia, and it has now been reduced to $1 million, so there is precious little to work with.

Senator **Moynihan**. We can't go on saying people have to find work and not give them the capacity to do it.

Do you remember that French economist Mr. Say, and Say's Law, which seemed to reverse our general perception? Say held that supply creates demand, and that is absolutely the case with skilled labor. If you have skilled labor, you will find that jobs will be created because the labor is there. It is something which we tend not to remember, that skilled labor is an opportunity for enterprise. In its absence, enterprise doesn't expand.

Congressman **Levin**. Yes. So much so that states have shown, at least in some cases, that the important thing is training for real jobs. It has moved so fast that no longer are people talking about the person in the Cadillac; indeed, I think no longer are people saying the answer is to give people the address of a fast-food restaurant; we need to train people beyond that.

Well, Mr. Chairman and Senator Rockefeller, thank you very much for this opportunity.

Senator **Moynihan**. Thank you, sir, and we are going to put that bill in this week, right?

Congressman **Levin**. Yes.

Senator **Moynihan**. And we have a cosponsor already.

Congressman **Levin**. Good, and many in the House as well as in the Senate.

Thank you so much.

Senator **Moynihan**. Thank you, sir.

[Congressman Levin's written testimony follows:]

TESTIMONY OF

HONORABLE SANDER M. LEVIN

MEMBER OF CONGRESS

BEFORE THE SUBCOMMITTEE

ON

SOCIAL SECURITY AND FAMILY POLICY

OF THE

SENATE FINANCE COMMITTEE

MONDAY, FEBRUARY 23, 1987

Our nation is in the midst of a reexamination of our welfare system. This is hardly the first such occasion, but it does seem a particularly auspicious one.

Why should the 100th Congress expect success where so many have walked unsuccessfully before?

One reason is the sheer passage of time and your continued commitment, Mr. Chairman, to challenging norms and folkways. It has thrown the current welfare system into sharp relief, exposing the inadequacies, not obscuring them.

A second reason, and maybe the most important, is a new sense of common ground on so much of the welfare debate from both sides of the political aisle. There is a recognition that most of those on welfare want to get off. There is an understanding that barriers to self-sufficiency must come down so that people can pick themselves up. There is an appreciation that the family unit itself must find a society that builds on its strengths, and not one that magnifies its weaknesses. And there is an acknowledgment that for some, the tragedy of poverty has grown into an unhealthy dependency.

This common ground has led to a fundamental rethinking of the concept of welfare. And not a moment too soon, for it is the children that have paid the price. Poverty today is a story about the young. 40% of all those in poverty are children, and, as you have so correctly stated, we don't have children to waste.

Parents - both mothers and fathers - have a duty and an obligation to their offspring.

This duty is to provide support for their children, whether or not they are together in one household, to the extent feasible. If the family income is inadequate, there is an obligation on the part of the parents to seek education, training and work to increase that income and become self-sufficient - and society has a reciprocal obligation to provide the necessary opportunities. And finally, if the income parents contribute is still inadequate, society has a responsibility to provide children with a decent standard of living.

This confluence of thinking is perhaps most evident in the the long battle over work and welfare. Terms like workfare and guaranteed minimum income will bring a host of memories to the longtime participants in this debate.

But today, there are some new facts on the table that change the entire nature of the debate.

First, the dramatic growth in the female participation in the workforce and especially the increasing participation of women with children have altered some very fundamental assumptions about the woman's place in society. When 8 out of 10 women were at home with their children, it was natural that our assistance programs incorporated this assumption. Now, when two thirds of all women with children under 18, and 60% with children under age 3, are working at least part of the year, it makes sense to redesign our assistance programs to take into account this new reality.

The second change is the success we have seen in connecting people with work.

In its recent study "Up From Dependency" and in draft legislation which I have seen, the Administration would have us and the American people believe that we need another five years of study and local demonstrations before we can make needed changes in federal policy. The President says we must "face up to what we don't know" before we begin the process of reform. I would submit it is time to face up to what we do know. I submit that we've had five years of useful local experimentation and initiative and that now is the time to act. We don't have all the answers but we know a great deal about what it takes to help those on welfare become self-sufficient. Our rallying cry should not be "Five More Years!"

There is much more to welfare reform than the welfare-work linkage. There is the critical issue of adequate income support. There is the vital challenge of adjusting it so that there is an incentive to work. Such issues must be faced in any comprehensive reform worthy of the name.

There is a strong argument to focus in the present debate on such comprehensive reform, and you Mr. Chairman have expressed that case most eloquently. I would, however, like to focus my remarks on the work-welfare linkage for several reasons.

It is the area that has driven the deepest wedge into reform efforts in the past. Until it is resolved, it may deter progress on other issues.

Even if we can make a start on the income side, and it is badly needed, it is my guess that we won't reach adequacy until there is a system in place that is helping people move forward, and not leaving them where they stand, and there is a public understanding of that progress. The work-training component, in my estimation, is a fundamental part of comprehensive reform - likely its leading edge.

The work-welfare linkage is also the area where we have been experimenting and have learned considerably in recent years.

Last year, the highly respected Manpower Demonstration Research Corporation (MDRC) gave us the first results of their detailed in-depth evaluation of work/welfare initiatives in 11 states. While their study is not completed, the findings from the first report were confirmed in a more recent release. Perhaps the most important of the lessons from their study is that "a number of quite different program approaches will lead to increases in employment, but that the gains will be relatively modest. . . Nevertheless, while the impacts may not be striking, they appear large enough to justify the program costs. . ."

At the request of our colleague, Representative Ted Weiss, the General Accounting Office (GAO) has just completed its own study of work/welfare programs in 24 states. Their findings are very similar. Despite somewhat bureaucratic management, limited funding and the lack of intensive training and support services, these programs have shown modest but positive effects on the employment earnings of participants. I would like to submit a more detailed summary of GAO's findings for the record.

As the MDRC and GAO studies have shown, programs like Massachusetts' E.T., California's GAIN and Michigan's MOST are right now, today, helping people to turn their lives around. It was from discussions with the managers of these and other similar programs that I have become convinced that we are ready to move on at least this part of welfare reform.

Mr. Chairman, last year you and I introduced legislation entitled the Work Opportunities and Retraining Compact (WORC) which is drawn from these state experiences. We have been reworking the bill together with a leading Republican member in the House. Your office now has the new draft and I hope that we can reintroduce WORC in the near future, with bipartisan support.

The six key features of the WORC bill will remain the same.

1. A national mandate for state welfare agencies to provide training and employment assistance for welfare recipients.

2. Performance standards to measure program success and progress.

3. Mandatory registration, counseling and assessment for non-exempt recipients.

4. Education and training must be provided based on the needs of the recipients.

5. Child Care and transportation assistance must be provided.

6. Adequate resources based on a 70-30 federal-state match.

The current redrafting will increase the focus on education, provide assistance to women with younger children, provide transitional support services to help participants find jobs and increase ties to the private sector.

As this Committee considers welfare and work ideas, I would draw your attention to GAO's recommendations for legislative action. The GAO calls on Congress to "develop a coherent, streamlined federal work program policy that would preserve some of the more desirable features of the programs begun in the past 5 years." In particular they call for one program that consolidates administrative responsibility, but gives the states flexibility in providing services, with a stable federal funding source. Services must be provided to those with the most severe barriers to employment and adequate support services must be provided. Participation for women with children under six should be voluntary. More sophisticated measures of performance must be used to gauge program success and reporting, and evaluations should be uniform.

I believe these are important principles for us to follow as we draft, and mark-up the work-training component of comprehensive reform. In my opinion the WORC bill meets these tests.

Mr. Chairman, as we consider the much needed overhaul of the welfare system, I think it is important that we keep another event in mind. Last year you persuaded the Senate to include full funding for WIN in the budget resolution. Unfortunately the appropriations bill included just enough money to carry the program through June. WIN has been an important catalyst for state innovation linking work and welfare. I am very concerned that unless we move quickly on a work/welfare proposal that provides continued federal support, states will shut down their fledgling but effective work/welfare programs. This would be a tragedy. Not only will the doors of opportunity close for those on welfare, the government will also lose the benefit of savings in welfare costs and additional tax receipts.

Perhaps we can accomplish comprehensive welfare reform by June. But if that timetable cannot be met you may want to consider a work-training initiative to serve as a bridge between WIN and comprehensive reform.

Mr. Chairman it has been a pleasure working with you in this vital arena these past months. Let's make the promise of welfare reform a reality.

# # #

Senator MOYNIHAN. Well now, Governor Gardner arrived almost as early as Representative Levin. Senator Evans was here just to let us know that he came to introduce him, but he had to leave after speaking very generously, and I see that Senator Adams has arrived.

So, we welcome you, Governor, and we welcome our colleague Senator Adams, who I know wants to introduce you, and we look forward to your testimony.

STATEMENT OF THE HONORABLE BROCK ADAMS, U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator ADAMS. Mr. Chairman and Senator Rockefeller, it is a great pleasure to introduce the Governor of our State today, and I was very pleased that you and I had an opportunity the other day to have an informal chat about the background and the change of circumstances in America that have arrived at the point that you predicted some many years ago, that it is now not an isolated problem, it is not a widow and orphans problem, but it is a problem of a major portion of our society.

I told you at that time that our Governor was coming this week and how much I wanted you to have an opportunity to meet Governor Booth Gardner, because he has proposed, with a great deal of courage, to our state legislature a whole new program that is patterned very much on the types of programs that you have discussed, that Governor DuKakis has testified to before these committees, as have other members of other states.

I think that you will find his proposal both interesting and very innovative, and part of the wave of the future. But far more important, Mr. Chairman, he is actually doing it, and he is before his legislature at this time, and those of us from the State of Washington are doing all we can to support him. But it is very necessary, and he can speak far more eloquently than I can about it, that the Federal Government indicate a willingness to have states move forward with new programs to solve this problem.

So, it gives me a great deal of pleasure, Mr. Chairman and Senator Rockefeller, to introduce the Honorable Booth Gardner, the Governor of the State of Washington.

Senator MOYNIHAN. Governor, we welcome you.

STATEMENT OF THE HONORABLE BOOTH GARDNER, GOVERNOR, STATE OF WASHINGTON

Governor GARDNER. Thank you, Mr. Chairman, Senator Rockefeller.

I have listened to your discussions with the other people who have testified, and I am pleased to note that we all agree that the problem is very simply defined, which is weak skills and poverty. So, if we can attack those two problems in a constructive way, it will resolve the problems before us.

Let me begin by saying that I am from the "other Washington" and therefore not totally versed on the protocol, but I have handed in written testimony, and with your permission I will speak from notes and paraphrase.

Senator **Moynihan**. Certainly. Your testimony will be made part of the record.

Governor **Gardner**. Let me begin by saying that we share your views that a realistic reappraisal of the whole national welfare system, particularly AFDC, ought to take place. And in fact, for the record, the State of Washington pays financial assistance payments at the range of 85 percent of poverty level. Yes, that is not ~~bad, but~~ 100 percent would be minimal. In our opinion, 85 percent borders on tragedy.

Senator **Moynihan**. And even that is much higher than the national average.

Governor **Gardner**. Well, I am pleased to hear it, but I don't think it is adequate to begin to solve the problems of poverty and the skills problems we have heard about, because it doesn't do the thing which is absolutely necessary, which is, it does not give hope to the poor that they can become financially self-sufficient, and that is the first objective.

I would be less than honest if I didn't say was another driver behind our motivation, which is that we in our state and with other states in our area are facing a relentless growth in caseload, historically. And if we do not control that, we will just simply flat-out run out of money. The alterative is a very simple one, that you turn down the valve with the degree of payments that you make, and that is just encouraging further tragedy.

So, we set out with a goal. We had three objectives. The first was to try to develop a system which would allow people to be better off working than they are staying at home; very simply stated, to get rid of the disincentives and to provide incentive for people to go to work.

Second, if we could, to moderate that relentless growth that we are experiencing of people coming on AFDC.

And third—and this was a bit of a risk, but we think we can do it—would be to provide a program which is attractive enough that people will come on to it voluntarily, but with the understanding that there is an implied social contract in this whole endeavor that we feel very strongly about.

Therefore, we have trigger mechanisms built in, such that if there is adequate employment in an area or training opportunities, and the voluntary pool dries up, then we can bring people into the system who are capable and qualified to work based on the assessment which would take place.

With those as our objectives, we sat down and designed a program that, first, provides immediate availability of child care; secondly, it extends the medical benefits so there is not the disincentive that, if you take the risk to go to work, four or six months later you have lost your medical safety net. And we extend that for a full year beyond the period of which one gets employment.

Thirdly, we provide training and educational components too, with it. But then we add another feature, which we think is unique and do-able, and that is, we provide an incentive or bonus for those who are willing to come on the program, as follows:

You take your 100-percent grant level payment. A person goes into training or education, they get a 5-percent bonus. If they go into part-time work, they get a 15-percent bonus, and if they go into full-time work they get a 35-percent bonus. So, if you take, for example in our state where the average income assistance payment is roughly $7,500—it is slightly higher, but for rounded numbers—which is 85 percent of poverty in our state——

Senator MOYNIHAN. That would be a family of three?

Governor GARDNER. A family of three, that is correct. And if you give the person full-time employment, and they get the 35-percent bonus, that takes their income up over $10,000, slightly, above poverty, gives them some breathing room, gives them some job experience, gives them some self-esteem, and gives them a chance to be able to move themselves forward.

Now, interestingly enough, we are going to do this budget-neutral—not revenue-neutral, budget-neutral—and we are going to do that through very enhanced support enforcement, as it takes two parents; and, secondly, through earned income.

Then what we do is, we get a person the job, we take the difference between what we have to pay in the bonus and what we we would pay him totally, and we plow that money back into child care and extended medical benefits and the training and employment that goes with it.

Now, part of the component of our program is a six-month assessment. At the time a person's child reaches six months, they come in for an education and skills assessment. They are not required at that moment to go onto the program, because it will be initially voluntary; but we feel that we have to begin to focus on those who are first-time recipients, because that is the place we have to make the impact. And quite candidly, I appreciated Senator Kennedy's testimony, because it will give us an assist in helping those that are more hard-line, income-dependent profiles. The argument is always, "Go after those who have been there a long time," but what you really want to do, in our opinion, is to go after the first-time recipients and don't let that mentality begin to set in.

Senator MOYNIHAN. And you have that profile that says to you, "This family is going to be in trouble if we don't really help them."

Governor GARDNER. That's right. Yes.

So, those are the ingredients of our program, and all we need from you is a waiver of the Title IV(a) program, AFDC, a waiver of the Title XIX program, which is your Medicaid Program, and a waiver of the food and nutrition elements, so that we can cash in the food stamps which we have worked through with our own agricultural community, so that we can make cash grants to these individuals.

That is the sum and substance. I would just add one interesting footnote, which is that we are a state that feels we can do this budget-neutral in an arena where we are experiencing 8–10 percent unemployment.

I listened very carefully to Senator Rockefeller's comments about where are the jobs. We have worked that problem very carefully. We see a window coming in the need for labor because of the trough; we are going to jump into that window.

But secondly, we have also come to the conclusion that we at the state level, with our employment security departments, are already placing individuals. And when we look at the incremental difference, we just feel, and working with our private sector community, that we can place enough people into the workforce to make this program work.

The choice is very simple. If you take 100 people receiving AFDC today, that is all they are doing, because there is no incentive to get off AFDC; it is just disincentive. In our program, using the same dollars but using earned income and support enforcement, we will put 75 percent of those 100 people into training, into part-time work, or into full-time work.

Senator MOYNIHAN. Great. That is very impressive.

We are going to get from you, sir, a concise statement of the legislation you would need to put that in place?

Governor GARDNER. That is correct.

Senator MOYNIHAN. Could I just ask—would you go over that bonus again? You come in, and there are so many thing that we are hearing from other places—social contracts, obligations, training.

Governor GARDNER. We feel the unique feature is the bonus, because what you have to do is you have to give them some breathing room also, at the same time, an opportunity to experience what it is like to be above the poverty level with a little bit of discretionary income, if you will.

The bonus works as follows: If you take the 100-percent grant level, if a person volunteers, or if the training and employment opportunities are available and he then is pulled into the system, he goes into training and employment to get a 5-percent bonus—not much, but something. If they go into part-time work, they get a 15-percent bonus; and if they go into full-time work, some subsidized, then they get a 35-percent bonus. And as long as they are in that category where they are receiving a bonus, the support benefits continue, and then for a year beyond when they actually go on their own.

Senator MOYNIHAN. And you are also going to arrange, or you want to arrange, for medical coverage to continue. I suppose the hardest choice a mother makes is to choose between getting out of the house and improve her life, if the price is to lose all of the medical coverage for her children. You know, do you dare make the choice?

Governor GARDNER. That is right, and the probability of going into a job where there are no medical benefits is high. So, if they run the risk of losing their medical benefits within four to six and, in some rare instances, nine months after they go onto some type of employment, it is a poor risk.

Senator MOYNIHAN. And you are risking your children.

Governor GARDNER. That is right. It is a bad decision, if you want to be very candid about it; and what we are trying to do is make it a good decision.

Senator MOYNIHAN. Senator Rockefeller?

Senator ROCKEFELLER. Governor, you are superb in what you say.

One of the things that interests me in watching human behavior is that there is a feeling or a stereotype that, if people get onto AFDC or welfare, that they don't want to get off. You point out some very good reasons why, in their self-interest, public policy gives them reason to not want to get off if they care about their children.

Governor GARDNER. That is correct.

Senator ROCKEFELLER. And most people don't know that. But beyond that, there is a feeling that people don't want to get off.

Our experience—and I am interested in your state—is that people do respond in fact, when they are given a work requirement. Under our CWEP program which started in 1981, they do not resent in the slightest the requirement of going to work. In our case it's been community service jobs, working with deputy sheriffs and a whole lot of things, helping in the community, in parks and recreation. They didn't resent it in the slightest. In fact, evaluations of our CWEP program indicate an increase in self-esteem on the part of the participants.

Now, obviously there would have been exceptions to that, and I am sure there are all kinds of snafus; but the basic human instinct of wanting to be productive has been demonstrated in West Virginia's program. This surprised some people. Have you found the same?

Governor GARDNER. Yes. We have found that most people, if you give them a decision which is a rational decision, would much rather be productive—gaining job experience, gaining the opportunity to put something on the résumé that they have done so they can see that next step forward—then they would be staying at home.

Senator MOYNIHAN. I particularly appreciate your candor and your willingness to come here and explain to us your program.

There is a certain stereotype about who becomes dependent, who turns to welfare in our society, in this country, and the stereotype does not extend to people who live in the State of Washington. And yet such welfare dependency is there, too. It is everywhere, not just in our central cities or in our Eastern Seaboard or what you will, it is across the nation. The median child in America, the average child, will live part of his or her youth in a single-parent family, and that single-parent family is going to have trouble. It is no longer a minority experience, and it is no longer an experience of minorities; it is the general American experience now, and you are finding it right there in the State of Washington, where it never snows, and you can always catch salmon, and Mount Rainier is there to be looked at.

Governor GARDNER. Thank you, Mr. Chairman. You know, we have talked so much about skills—I don't think there is any argument on that—and many of the programs we have observed are extremely competent and well-run in the areas they run in; but until we also address this issue of poverty, until you can get someone out of that poverty area to where they can think clearly and concentrate on the jobs that you get them and not be traumatized by what goes on, we are only doing half of the job.

So, getting them to work is one thing, but getting them over that line of poverty I think is another, and that is why we have built in these incentives which we think can work, by rigid discipline on our part in the areas of earned income, job placement, and support enforcement.

Thank you very much for your courtesy.

Senator MOYNIHAN. Well, we thank you, and we are going to get a very specific request from you. If I know Senator Adams and Senator Evans, they are going to see to it that you get what you are after. Obviously, this is what federalism is all about, giving opportunities for this kind of experiment. And let's see if we can't do it quickly.

Senator **ADAMS**. Place it in your bill, Mr. Chairman.

Senator **MOYNIHAN**. Thank you very much, Governor.

Governor **GARDNER**. Thank you very much.

[Governor Gardner's written testimony follows:]

SENATE TESTIMONY OF BOOTH GARDNER, GOVERNOR, STATE OF WASHINGTON

Chairman Moynihan and Members of the Committee:

It's a personal pleasure and privilege to be able to testify before this distinguished committee on an issue of both national importance and individual consequence -- welfare reform. The potential for giving children the opportunity to break the bonds of poverty and parents the chance to join the regular workforce, earn a decent living and develop a sense of self-worth, is so promising that it commands timely and far-reaching action.

Under current policy, the potential for improving the human condition is greatly limited, which is why I'm before you today. The state of Washington shares the view of Chairman Moynihan and this committee that the time is ripe for a realistic reappraisal of the national welfare system, particularly Aid to Families with Dependent Children.

Not only is the time ripe, it is growing short. In Washington State, we see our caseloads growing exponentially. This growing financial commitment is strangling our budget and producing limited benefits for participants. We are offering AFDC recipients only 85% of the poverty level. One hundred percent would provide a minimal subsistence; 85% guarantees tragedy. Children go to school ill-clothed and ill-fed. They spend their day hungry and ridiculed. Education takes a back seat as the cycle of illiteracy and poverty speeds on.

At the same time, their parents remain without work, because the current system creates disincentives for them to pursue employment. Ultimately they lose any hope for a prosperous future and any feeling of personal satisfaction.

Taken as a whole, the business-as-usual approach is failing miserably. The result is a huge waste of human potential.

The welfare programs that served us with varying success in years past have lost a great deal of their effectiveness. They need updating to confront today's problems effectively. My two years as governor has given me sufficient evidence to become convinced that a complete revamp of our system is necessary.

Toward that goal, I developed a plan to address the problems of the current AFDC program. And because we don't have the luxury of being able to invest large sums of money, I made sure that it be a budget-neutral program that would offer incentives for entering the workforce, that would guarantee medical and family support systems, and would increase financial benefits.

The result of their efforts is the Family Independence Program, an alternative which we believe more closely responds to the economic needs and public attitudes in our state. It is a program which has quickly gained bipartisan support and is almost assured early passage in our state Legislature- a passage which constitutes only half of the legislative action necessary.

Because of its wide scope, the program must also obtain congressional waivers for its five-year demonstration period.

I am here to ask for those waivers and to briefly explain the program. Before I begin my summary of the Family Independence Program, I'd like to discuss four premises that guided us in the construction of the bill.

First, it is a fundamental error to view the welfare population as a homogenous group. The wide range among individual's in terms of intellectual capacity and motivation, educational and employment background, age and family situation, demands that future programs have the flexibility to respond in a way that will meet the individual's needs and accelerate their departure from assistance programs.

Second, welfare programs must be grounded in economic reality. We must provide job training that prepares recipients for a rapidly changing job market. We must extend medical benefits for the displaced worker and the working poor. We must develop public policies which reflect and respond to the reality that our current economy is not providing enough jobs which offer sufficient compensation to ensure that families live at or above the poverty level.

Third, we believe that any new AFDC system must provide economic incentives for participants to join the work force. Exceedingly small, even temporary increases in income, can disqualify families for cash assistance or cost them critical medical and child care benefits. These disincentives must be replaced with economic and family support benefits. We must create incentives to induce companies to create more jobs and welfare recipients to take those jobs. And, we must financially sustain a family as it embarks on the difficult journey to economic independence.

Finally, we concur with Senator Evans and Governor Robb's far-sighted plan, To Form a More Perfect Union, which calls for the major financial responsiblity for AFDC or similar programs to be borne by the federal government for reasons of uniformity and constistency in benefits.

And, while on the subject of thoughtful approaches to welfare reform, I'd like to offer my endorsement of Senator Kennedy's JEDI program. Our FIP program focuses on the new-comers to the AFDC program; Senator Kennedy's plan would be a welcomed additional program in our state to assist the long-term, hard-to-place AFDC recipients.

CONGRESSIONAL ACTION NEEDED

We are asking Congress to direct the secretaries of Health and Human Services and Agriculture to grant waivers for five years under Titles IV-A (4-A) and XIX (19) of the Social Security Act, as well as the Food and Nutrition Act of 1977. During that period, we are asking the federal government to share the costs of FIP in amounts comparable to what it would pay if the current AFDC program remained in effect. We believe FIP is budget neutral for both the federal and state governments.

I would like to clarify our reasons for requesting congressional action on FIP. First, we believe that the waivers needed are beyond the scope of authority of the federal agency secretaries. Second, while we clearly favor giving states the opportunity to try variations to the current system, we do not agree, as some have suggested, that this should be unbridled authority. We prefer to ask Congress for specific authority to carry out this well-defined project. Should this program not acheive its goals in our judgment or yours, we would return to the regular AFDC program.

We have decided to pursue our request while simultaneously supporting nationwide welfare reform. We do so for three reasons:

1. The fact that our program contains features beyond the range of those included in other current proposals;

2. With a relatively small welfare population, we can put FIP into operation in a much less time than would be possible nationally; and

3. We believe that our experience could provide useful examples as the national debate on welfare reform progresses.

I am submitting for the record detailed information on FIP as it was proposed to the Washington Legislature. We will be pleased to update this material once legislative action is complete.

To close, I'd like to simply outline the major features of our Family Independence Program. We believe FIP can break the cycle of poverty for thousands of mothers and children in the state of Washington.

SUMMARY OF THE FAMILY INDEPENDENCE PROGRAM

- All families applying for assistance, who would have been eligible under AFDC, would henceforth be enrolled under FIP.
- An estimated 75 percent of families enrolled would participate in education, training and part-time or full-time employment. After a two year evaluation period, participation would become mandatory in regions where there were more job opportunities than FIP job applicants.
- The state would subsidize some jobs in the not-for-profit and public sectors if jobs for enrollees were not available in the private sector.
- A cash assistance standard combining the existing grant levels for AFDC and the cash equivalent of enrollees' food-stamp benefits would be established as the program's "benchmark level" to which enrollees would be "entitled." The benchmark would vary with family size.

(6)

- An incentive structure of cash benefits would guarantee enrollees a combination of earnings and cash assistance at the following levels:
    - * 105 percent of benchmark for those participating in education and training.
    - * 115 percent of benchmark for those working half-time.
    - * 135 percent of benchmark for those working full-time.
- The standard for those working full-time equates to 115 percent of the poverty level, compared to 85 percent for current AFDC recipients who do not work. In other words, those who worked under FIP would be measurably better off than those who did not.
- Child care and medical services would be provided free until the family reached the 135 percent level. Once a family reached the 135 percent level, they would, with a nominal fee, continue to receive those benefits for up to one year.
- Additional help could be provided enrollees for parent education, family planning and family financial management services.
- Child support collection efforts would be significantly stepped up.
- Assistance would be offered to absent fathers in training for and obtaining employment.
- A new approach to organization would meld the efforts of the state departments of Social and Health Services and Employment Security to improve productivity in management and distribution of services.

- Employment and training efforts would be coordinated with the state Private Industry Council under the Job Training Partnership Act.

- A thorough evaluation is mandated throughout the five-year demonstration project.

Taken together, we believe these features constitute a comprehensive approach to welfare reform. We hope that when FIP is formally presented to this committee, it will have your support.

I thank you for your time and would be glad to answer any questions you may have.

POTENTIAL MOYNIHAN TESTIMONY QUESTION

Answer to possible questions from Senator Moynihan as to why we selected six-months as age of child for parent to return to work.

1. This is an equity issue -- the welfare program should mirror the way most Americans live and at this time many American women with very young children work -- this is particularly true of the working poor and lower-middle income population. The six-month time frame was chosen for our state, because state government allows its women employees to take six months off for maternity leave. It is my understanding that this is very generous compared to most employers.

2. It is my position, as it is the position of the National Governors' Association, that the most timely intervention occurs when recipients first come onto welfare -- and this usually means young, first-time mothers with very young children.

3. I do not expectany mothers to go to work unless there is good quality child care available for their children.

4. The FIP plan exempts mothers that must be at home to care for special-needs children

Senator **Adams**. Thank you, Mr. Chairman and Senator.

Senator **Moynihan**. Let's see, we are a little bit out of order because of the weather out there. Is Senator Larson here, by chance? I wouldn't be surprised if he is not.

[No response.]

Senator **Moynihan**. All right.

Dr. Gueron is here, am I correct on that? I think you are not only here, but you must have camped outside, because you were here this morning, first thing.

During our hearings this morning, we have heard several references to the Manpower Demonstration Research Corporation. We heard earlier from our first witness, from Assemblyman Agnos, that in the new GAIN program that is being put in place in California, they contracted with MDRC to tell them how they are doing, as an independent evaluation of the program as it proceeds. That is a very impressive thing indeed and not surprising given the reputation that the MDRC has established in this field.

We welcome you, Doctor. We have your testimony, which will be put in the record. Why don't you proceed to tell us what you have in mind?

STATEMENT OF DR. JUDITH M. GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORPORATION, NEW YORK, NY

Dr. **Gueron**. Thank you, Senator.

I am Judith Gueron, President of the Manpower Demonstration Research Corporation, and I am pleased to have the opportunity to share with you some of the findings from an on-going multi-state evaluation of state work/welfare initiatives.

Senator Moynihan has pointed out the emerging consensus among policymakers concerning the responsibility of parents to support their children, and the responsibility of the government to help poor and welfare-dependent parents achieve self-sufficiency. While the outlines differ, the more comprehensive proposals to implement these reforms call for increased efforts in child support enforcement, extending benefits to two-parent families, a national minimum benefit, and other support for the working poor.

While the cost and feasibility of much of this is still being debated, the common core in most of the proposals is something about which we do have solid information from several years of careful testing. This can best be called, as you have, a redefinition of the social contract, whereby welfare programs such as AFDC would be changed from a broad entitlement to benefits to a reciprocal obligation between citizen and the state. My remarks today are limited to this part of welfare reform, the work/welfare connection.

Since Congress opened the doors to state experimentation in 1981, states have tested a number of ways to revise the AFDC "bargain" and restructure the administration of the WIN Program. Because resources have been relatively limited, changes were modest in scale and design, but they moved in the direction of establishing some sort of reciprocal obligation where benefits would be tied to a person's agreement to search for work, receive training, or accept a workfare position. In return, states had to provide the services and supports necessary to allow that participation.

Since 1982, MDRC has been working with eight states, including the State of West Virginia, to carefully study these new programs, and final results are now available from five of them—programs in San Diego and Baltimore, and of multi-site programs in Virginia, Arkansas and West Virginia.

I have written elsewhere in more detail about what was tested, and I will only say briefly that these were very real-world in scale and implementation; that while the programs were relatively large scale, they were directed at about a third of the AFDC caseload, women with children six or over, with rare exception in the studies; that they were implemented in a variety of conditions; and that what was tested so far were relatively low-cost programs, compared to what has been discussed here this morning, programs costing up to about $1000 per eligible person and providing primarily job search, brief workfare assignments, and limited education and training.

Each state's program that we studied representated a particular mix of obligation and services, and in the research these two things are tested together so that you don't distinguish the impact of the services versus the mandate to participate.

The findings from these careful studies provided the basis for action in 1987. They show that, first, it is feasible to require work-related obligations as a condition for welfare receipt. On the whole, states and localities were successful in involving a substantial portion of the caseload in activities. This is a precondition for success and a notable change in institutions and attitudes over the average pre-1981 WIN experience.

Second, the initiatives increased employment and earnings and reduced welfare costs. These results dispel the notion that employment and training interventions don't work. In all of the states we studied, with the exception of the very special conditions in West Virginia which the Senator referred to earlier, we found that work/welfare programs increased the employment of women on AFDC. Across the four states, average earnings increased between 8 and 37 percent.

The results also point to a way to increase the effectiveness of work/welfare programs, which was alluded to in some of the earlier testimony this morning. The findings show that the most employable people, new applicants for welfare who have recently worked, don't gain much, if at all, from relatively low-cost programs that basically teach them what they already know. In contrast, the next group, women applying for welfare without recent work experience, can benefit substantially from support and assistance.

Turning to the effect on welfare dependency, overall these programs produced welfare savings that were smaller than the earnings gains—that is simply a function of the AFDC formula—but the savings across the states ranged up to about 11 percent.

Third, overall we found that program benefits outweighed costs for participants, for the state, and for the Federal Government. These initiatives cost money upfront, but in general they should be viewed as an investment, with a payoff in future budget savings in less than five years and sometimes much less.

Together, these results suggest that work/welfare initiatives can make consistent and measurable improvements in people's lives. Multiplied by large numbers of people and over a long period of time, these relatively modest improvements take on considerable policy significance.

However, the programs have not so far led to major reductions in poverty and dependency. This is not a quick fix for poverty or a short cut to balancing the budget. This should come to no surprise, given the limited funding that has so far been available, the nature of the population, the generally poor labor markets in which they were implemented, the diversity of the AFDC population, and the range and seriousness of the obstacles they face.

An open question is whether more costly, comprehensive programs would have greater impact. And another open question is whether these programs could be extended to an even greater share of the welfare caseload, including mothers with younger children, without compromising quality, encountering administrative or other resistance, or raising broader issues of in- or post-program displacement.

Now, as Congress moves to translate what we recognize is the new consensus on work into specific reform, I think the research points to a number of issues on program design.

First, it is important that the expectation about what a program can achieve be consistent with the level of funding it receives. It should be recognized at the outset that, if funding is limited, states will have to make a choice between programs which are large in scale but limited in the range of services they provide, or programs that offer intensive and comprehensive treatment with a smaller portion of the caseload.

Faced with the opportunity to overhaul welfare employment programs, policymakers should take care not to replay the WIN experience of the Seventies and foster ambitious expectations that are not supported with adequate funding. In theory, WIN also intended to require all adult AFDC recipients with school-age children to participate in training, job search, or accept employment offers. In fact, it was never adequately funded or staffed to enforce these requirements, and the obligation existed on paper only. While changes in attitudes and performance suggest that we can do better now, additional resources will be necessary to transform this potential into reality.

Second, the benefit-cost studies also point to insights into the cost-sharing relationship between the Federal Government and the states in welfare employment programs. The findings highlight the importance of continued federal support to encourage states to undertake programs that may ultimately prove cost-effective, and in which the bulk of the savings accrue to the Federal Government. Moreover, increasing the required state match may prevent poorer states from introducing programs which entail large initial outlays of state funds. States which are not able to make up the difference, for example with the current 90/10 matching arrangements and which were changed to 50/50, could wind up with smaller welfare employment budgets than we currently have.

Third, care should also be taken to assure that program funds are not misspent by targeting services to the part of the caseload that stays on welfare only briefly, to the exclusion of other welfare recipients. It is important that performance standards not encourage program operators to serve this group to the exclusion of more disadvantaged people. Performance measures that place emphasis on achieving, for example, high rates of placement at low cost are likely to have that effect.

Finally, the persistence of dependency and the limited magnitude of the employment and earnings gains in the programs evaluated so far provide a rationale for states to offer more intensive services to move recipients into jobs and off the welfare rolls. A number of states are already doing so, in part relying on large-scale coordination of existing services and delivery systems. These programs should be carefully examined. And while there is some evidence to show that such approaches can be effective, it is still unclear what exactly the return to the larger investment will be and who will benefit the most.

In conclusion, the relatively modest achievements of the first wave of welfare employment programs and the cautions expressed here shouldn't deter you from action. On the contrary, I would urge you to use the findings as a foundation on which to construct a new welfare employment system which can avoid some of the mistakes of the past and push into new areas.

Most importantly, I would urge you not to miss the opportunity to revamp the WIN system by losing sight of welfare/employment programs in the rush for more comprehensive reform. Work programs cannot by themselves solve the poverty problem, but they are important stepping stones or building blocks on the route to self-sufficiency.

Thank you.

Senator MOYNIHAN. Beautifully done. Right on time, for the first time, and these hearings have been going on for two months. No one has ever finished on time. (Laughter.) No wonder you get your work done so well.

Can I ask two things? One, say again what you just said about WIN, because Representative Levin has mentioned it and Senator Rockefeller has mentioned it. You know, that is about to appear before us in June. Now, you say, "Hold on"?

Dr. GUERON. Right. I would say two things about WIN. First of all, it expires in June.

Senator MOYNIHAN. I guess this year's appropriation expires then.

Dr. GUERON. The money ends in June, right. And WIN has been the only money currently available to states which is dedicated to providing employment and training service for welfare recipients.

Senator MOYNIHAN. That would be true in West Virginia, I assume?

Dr. GUERON. That is right. WIN is the major funding source for the CWEP program in West Virginia, and it provides 90/10 money of a very limited amount. WIN has been cut from several hundred million dollars back to $110 million this year, but WIN resources are the only ones dedicated to this program; so that, when WIN resources become unavailable after June, it will be very important to consider something immediately to put in their place, or the state experiments that have depended on this may easily contract.

The other lesson from WIN which I refer to is that WIN also had lots of rhetoric and little money, and it is important not to replay that a second time.

Senator MOYNIHAN. Right. In that regard, if someone will dig it up, I would like to put into the record an editorial in the Washington Post from yesterday morning. It said, by all means let us move here, but let us not get our language out ahead of our real opportunities and real resources.

[The editorial follows:]

WP 2/17/87

Buckets of Welfare

AT THE HEIGHT of his power in 1982, President Reagan made an ambitious "New Federalism" proposal to realign the responsibilities and programs of the federal government and the states. The proposal died, in part because it turned out to be a sham. Programs were not so much being shifted from one level of government to another as—in the guise of such a shift—they were being abolished.

Now the same sort of issue is arising with the president's pending welfare reform proposal. The idea is to turn over to volunteering states the money now going into about 100 different programs for the poor. A state would still have to spend the money on the poor, but, within limits still to be disclosed, could otherwise shape its spending as it chose.

The problem is that the programs on the list as last reported are wildly dissimilar. They range from the Aid to Families With Dependent Children that is the putative object of this exercise to compensatory aid for needy schoolchildren and college student grants and loans. There is no way that Congress either will or should permit the indiscriminate blurring of these programs into a lump sum. Among many other things, it is not clear what such an act would have to do with welfare or welfare reform. The contemptuous suggestion is that all dollars spent on the poor are the same; that is wrong.

A controlled program to allow greater welfare experimentation by the states is a good idea. It will—as to some extent on the issue of "workfare" it already has—tend to reduce the polarization that has followed this subject on the national level in the past. At the state level both liberals and conservatives seem able to take positions that on the national stage they cannot. But if the administration expects its proposal to be taken seriously, it must put sensible limits on it. Otherwise it will be no more than the diversion that the new federalism was.

Senator **Moynihan**. But now, look, Senator, what are you going to do? Are we going to let the WIN Program stop? You said 'contract,' Doctor; I think the word is 'stop,' isn't it, in June, if we don't get something done here?

Senator **Rockefeller**. Well, the program has been cut, as you say, by about half or by two-thirds. West Virginia has lost 75% of its Federal WIN funds.

Dr. **Gueron**. That is right. In 1980 or so, it was $365 million, then went to $220 million last year, and this year it is $110 million.

Senator **Rockefeller**. Mr. Chairman, may I ask a question?

Senator **Moynihan**. Please, sir.

Senator **Rockefeller**. You made a very interesting comment on page 12 which I identified with. I had talked earlier about performance standards and the fact that people relax about, or they look upon what they might otherwise consider to be excessive government spending with more patience and tolerance if there are "performance standards." But then you make a very interesting point: A state bureaucracy will then try to deliver by focusing on those who are closest to being able to get off of welfare, and therefore "up" their statistics—which would be good for the State and for those no longer on welfare; but it wouldn't be getting at some of the worst cases.

Mr. Chairman, that strikes me as a very real concern. You know, you think back to some of the people you work with that have virtually no skills; they can't help their children stay in school because they aren't role models themselves; they had a third or fourth grade education when they stopped, they can't communicate verbally; they can't read—what is it, 20 percent of our displaced workers in this country are functionally illiterate? What happens?

The Ford Foundation is doing some interesting work on moving people forward in terms of basic skills—for example, through the learning centers developed by Dr. Robert Taggert, whom I am sure you know. Is it possible to take people in their 30's and 40's and 50's who are at the bottom of the list, who are just simply unskilled, unverbal, uneducated, and who for 20 years have been avoiding—because of lack of opportunity—work? Is that a permanent underclass? Or in terms of basic skills and other training, do you think they can be reached through things that we have not been doing as a general rule?

Dr. **Gueron**. A few responses to your comments:

First, I think Congress does hold the key in how it establishes performance standards. This is something to approach with a great deal of caution, because the system will respond, and you want to make sure it responds the right way.

The consistent lesson from careful research is that programs are most effective in that they make the largest difference for people who are the least likely to succeed on their own.

And you mentioned the very hard to employ. For example, a program was tested in this country eight or so years ago called 'Supportive Work,' including a site in West Virginia, which focused on AFDC recipients who averaged about eight years on the rolls. That program provided very structured and intensive work experience and did show that it could double the rate at which people moved off of welfare and could ultimately prove very cost-effective. So, there are programs that reach out to the most disadvantaged, but they are likely to require an upfront investment.

Senator ROCKEFELLER. But still, what about getting at a 40-year-old who dropped out in the third or fourth grade? Do you know about the Ford Foundation learning centers program I am talking about?

Dr. GUERON. Sure, the CCP program. Certainly.

Senator ROCKEFELLER. Are there possibilities, do you think, in something of that sort? I mean, they talk about being able to move participants forward in months. If they had the money, they say they could move the entire nation quickly ahead by one grade level, through very intensive, different kinds of help.

Can these people whom I discussed, the ones at the very bottom of the heap with a history of being at the bottom of the heap—thoroughly discouraged, thoroughly nonverbal, thoroughly without hope—are they a permanent underclass, or can they be reached in some way other than "Well, they can't make it," and so we will simply permanently provide them public assistance.

Dr. GUERON. One of the things that should inspire this committee is the consistent evidence that women-on-welfare are one of the groups that you can help. When I mentioned Supported Work earlier, women in that program had averaged eight years on welfare, and the average age was about 35; so that many of them were them were the kind of people you discussed who had spent many years on the rolls and brought little skills or education. That program of course didn't succeed with everybody, but it did make a substantial difference.

The CCP Program is showing impressive results in terms of increasing grade levels among participants. I think it will be important to see if those results, in terms of testing, can be translated into success in the labor market, and I think we should be optimistic, and proceed, and try it.

Senator ROCKEFELLER. Mr. Chairman, can I make one more observation?

Senator MOYNIHAN. Senator, of course.

Senator ROCKEFELLER. We are talking about getting people off of welfare. It is true, I think, also, that sometimes people can be categorized as having been moved off welfare by some minor adjustment in their life—say a marriage, or a minor skills adjustment, or something which moves them just past the point financially where they are 'on welfare.' But in fact, instead of being very, very, very poor and on welfare, they are very poor and not on welfare. And that is something also we have to watch out for. In other words, they are marginally out of the system but could easily return to the system through some small adjustment—divorce, or some downward income adjustment.

Dr. GUERON. I couldn't agree more. And in stressing that results are positive but modest, there is a difference between moving off of welfare and moving out of poverty.

I know you are going to hear later this morning, about the working poor, and there has been discussion already today about the importance of having incentives for people to work, that really increase the rewards to work sufficiently so that individuals would rationally choose work over welfare.

Senator **Rockefeller**. Thank you.

Senator **Moynihan**. Senator Bradley?

Senator **Bradley**. Thank you very much, Mr. Chairman.

I was very interested to glance through your testimony. You made a comment in relation to Senator Rockefeller. In your testimony you say that workfare in West Virginia did not lead to increased employment and earnings but was cost-effective. Could you explain that?

Dr. **Gueron**. Yes. As I said, we completed studies in five different states and locations across the country. West Virginia did stand out, and I think it is for the reasons that the Senator mentioned earlier, in terms of the extraordinarily high unemployment rate that existed in West Virginia when the study was conducted, and the very rural nature of the economy. People participated in the program and had positive responses to that participation, but it didn't increase the movement off the rolls.

Now, in terms of cost-effectiveness, we looked at the benefits and costs of programs from a number of different perspectives—from the budgetary perspective, from a larger social perspective that counted not only budgetary savings but the value of the work that people performed while they were in workfare assignments, and also the perspective of individual participants.

In West Virginia, we found that people participated in a workfare program for a number of months, and that the work they produced was of value to their communities. And it is when you consider that work that the program in West Virginia appeared to be cost-effective.

Senator **Bradley**. You listed a number of points in your testimony about participants responded favorably if their workfare assignments, or their supervisors considered their work valuable, et cetera, et cetera.

If you were to counsel the committee, what would you say are the two most important things we should consider when we are looking at the work component of a welfare reform program?

Dr. **Gueron**. We have solid evidence already that relatively low-cost programs do something. That is a rock on which you can refute the idea that welfare employment programs are not cost-effective. But we have also fairly clearly seen their limitations, and I think states have gone beyond these low-cost programs to increasing reliance on education, remedial education and other, and training. I think it is important that any legislation that emerges now support that shift and provide resources for more intensive services, as well as the more low-cost services that we already know are cost-effective but limited in success.

Senator **Bradley**. So, you think any program should not simply have a work component but also an education component and a child care component?

Dr. **Gueron**. Yes.

Senator **Bradley**. Thank you.

Senator **Moynihan**. Could I just note once again for the record that what MDRC has done so importantly is to establish somewhat counterintuitively that you get your best results from your most difficult cases. As you say, for people who have been employed and who are just dipping into welfare, a little bit of training doesn't tell them anything they don't already know. But it is the individuals who most need it who really benefit the most, and for whom such training is most cost-effective.

Could I ask you this almost personal question, but a professional one? We talk about and hear about efforts to deal with this subject, and the most interesting efforts come from the places where the density of the problem is least. We are into our fourth hearing, and it may go on most of the day, and no one ever mentions New York City. We have three-quarters of a million people on welfare, and yet it doesn't move. Is it just unmoveable?

You have been checking out areas all over the country, places where there are 50 people on welfare in the county and what can you do about them, but what about the great heavy urban concentrations? Isn't this a different order of social conditions?

Dr. GUERON. Well, we have tested—for example, Supported Work was one that also ran in New York City, as well as 10 other sites for AFDC recipients across the country. There is no doubt that it is difficult to run an innovative program with a caseload of that size. But you see Los Angeles grappling to implement the GAIN Program, and that is also a location with a very heavy welfare caseload.

Senator MOYNIHAN. Is Los Angeles going to be one of the first 10 counties?

Dr. GUERON. Not one of the first.

Senator MOYNIHAN. But it is coming?

Dr. GUERON. It will be there by the end.

Senator MOYNIHAN. We were concerned about this this morning.

Dr. GUERON. And we have been looking at a program implemented by Illinois in Chicago. So, the fact that we were not studying the welfare employment efforts in New York City doesn't convince me that they are not making a difference. But I will say that it is very difficult to move a large bureaucracy to be innovative, and that is one of the challenges that anyone running a welfare employment program in New York City faces.

Senator MOYNIHAN. Would you agree that one of the risks of experimentation in this work, as indeed in education generally, is that you get very high quality experimenters? You know, the 1960's was rather famous for those studies of the Yale graduate who, rather than going into the Army, thought he would go into teaching disadvantaged students, and he put three years into it, and he taught those 12 kids to be "whammos," and then as soon as he got out of the age where he could be drafted he went off to law school. And you can't run a school system which assumes that 90 percent of the teachers are Yale graduates temporarily disposed toward the school system.

Dr. GUERON. I would certainly agree with that, but I should point out that the welfare commissioners in the eight states that we were studying were really heroes in terms of letting an innovative research study get put in place in a real-world, large-scale environment. Over 35,000 people were involved in the study—21 counties in West Virginia, the County of San Diego, the City of Baltimore—so these were not tiny programs testing on a small scale something that you then ask is this relevant to the real world.

Senator **Moynihan**. If you have Baltimore and San Diego, you have the real world, sure.

Doctor, thank you very much. Would you be good enough to send this committee some thoughts on what needs to be done quickly about WIN? Won't you?

Dr. **Gueron**. I would be delighted to.

Senator **Moynihan**. We need your advice, and we thank you very much for your testimony.

Dr. **Gueron**. Thank you, Senator.

[The information about WIN and the prepared written testimony of Dr. Gueron follows:]

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March 24, 1987

The Honorable Daniel Patrick Moynihan
United States Senate
464 Russell Building
Washington, DC 20510

Dear Senator Moynihan:

You have asked for my recommendations about what to do with the WIN program. My comments are limited to those issues that emerge directly from our research on welfare employment programs.

In its design for a new welfare employment program to replace WIN, Congress seems to be applying the lessons learned in recent years about operating effective employment-related programs for AFDC recipients. Because our research showed that different programmatic approaches to linking welfare and work could be cost-effective investments of taxpayer's money, we feel it is important that the federal legislation not be overly prescriptive, and that states be given considerable flexibility in the design of their programs, the choice and sequencing of components and the structure of program administration. These principles are reflected in the proposals currently under discussion.

We also feel that the opportunities for states to provide more intensive services, a broader array of education and training activities, and additional support services are important developments, as they hold out the possibility of producing larger impacts for some groups than the job search and work experience strategies that were the basis of most of the initiatives studied in MDRC's multi-state demonstration. Whether the promise can be fulfilled, remains to be seen, however. Right now, there is not sufficient evidence to indicate whether these approaches are more effective, or for what segment of the population they can be most effective.

MDRC's analysis of the federal/state ratio of the budgetary savings produced by work-welfare programs is also supportive of Congressional interest in establishing a 70/30 or 75/25 federal/state match in the replacement WIN program. The 70/30 split approximates the typical distribution of program-related costs and benefits in the states we studied.

Because our research did not deal directly with a number of other issues of concern to Congress in the drafting of a new bill — for example, the effect of requiring participation from women with children under 6, or of providing transitional support services to AFDC recipients once they go to work — I am not making any recommendations along these lines. Similarly, MDRC's work does not address some of the broader aspects of welfare reform of interest to you. It remains clear, however, that the effectiveness of welfare employment initiatives will be dependent in part on broader work incentives and the strength of the economy.

While generally in agreement with the development of the welfare employment debate in Washington thus far, we do, however, have a number of concerns. First, because so many key questions remain open — questions about the effectiveness of programs that target women with pre-school children or provide more intensive education and training or transitional employment supports — we feel it is critical that any new legislation include a mandate and funding for rigorous evalution of the employment initiatives. The more flexibility states are given, the more important it becomes to develop good information about what works best for whom. This can only be done by well-structured studies.

Further, the current welfare reform debate points to the importance of issues that go well beyond work/welfare programs to the broader questions of poverty and the working poor. As you have so eloquently stated, these include work incentives and income supports under AFDC, as well as child support enforcement. The current debate is partially hindered by the lack of information on the real cost and feasibility of such approaches. To the extent that these issues are not addressed in legislation this year, it will be important to use the next few years to get the answers.

To do this, this year's legislation might allow states the option — on a trial basis — of restructuring the package of benefits available to the poor in line with some of the more promising approaches. Thus, new legislation should encourage the federal government to use waivers and make resources available to enable states to run experiments under rigorous evaluation conditions. The types of experiments that should be encouraged include: further integration of child support enforcement and AFDC, and changes that increase the returns to work, including part-time work (e.g., increased disregards, the provision of transitional child care and health services, and changes in the EITC or other tax measures that benefit poor families).

A second area of concern is in the development of federal performance standards for the new welfare employment system. As I indicated in my testimony before your subcommittee last month, a clear lesson from MDRC's Work/Welfare Demonstration is that programs should not work exclusively with the most employable recipients — those that have a prior work history, and less welfare receipt — because the impact of the program on such individuals is smaller than on other, more needy groups. From this perspective, it appears misguided to use a simple placement standard based on an absolute level of placements, because it drives program operators to serve these most employable individuals. It is also clear that the collection of longer-term data on program participants will not solve the difficulties associated with this type of performance measure.

While we know what should not be done, it is unfortunately less clear how to construct a system that will give program operators an appropriate incentive to serve harder-to-employ recipients who are likely to benefit from participation. One promising approach is to use a weighted placement standard, that gives operators more credit for placing harder-to-employ recipients, defined by such objective criteria as length of time on welfare and prior employment.

Still another challenge is to develop a system of performance standards that is sufficiently flexible to take into account that states may have legitimately different goals and objectives in their programs, as well as varying economic conditions and program designs. Too rigid an application of a single performance measure could undermine the intended flexibility of the new welfare employment system. Senator Rockefeller's concern about the effect of a placement standard — weighted or otherwise — in a state such as West Virigina that has few employment opportunities is a case in point. Thus, even a weighted placement standard may need to be combined with other measures of program performance — for example, activity levels or educational gains — that reflect other objectives of the new legislation or state intentions.

Given how much remains unknown, I would recommend that Congress not be too prescriptive in setting the parameters of a performance-based system at this time. The establishment of performance criteria should be delayed until there are better data available on the relation between demographic and economic factors and program outcomes. Since the programs in the MDRC demonstration were largely job search and work experience, it is particularly important to collect information and analyze the results of programs that are more intensive or comprehensive in scope.

A final concern is that, if WIN replacement legislation is not passed by June 30, funding for the current program will expire. It seems vital to continue WIN authorization and funding, at least at current levels, until a new program is in place. Past experience has shown the problems that arise if programs are forced to lay off workers and close offices in response to funding shortages, and then expected to increase capacity quickly when additional funding becomes available. Experience also shows that a long period of planning and start-up is required to get a new program in place. It would thus be inefficient to disband the current WIN structure before new legislation can take effect; instead, WIN should be phased out as the new structure is phased in.

In closing, I would like to reiterate what I stressed at your subcommitee hearing last month: Congress should be careful to avoid replaying the WIN scenario of the 1970s and should set realistic expectations about what can be achieved by an overhaul of the welfare employment system. The claims for what the program can accomplish should be consistent with the level of funding available to the states.

I would be happy to provide any additional information or answer any questions that you or your staff may have. I will be watching the development of your welfare reform proposal with interest.

Sincerely,

Judy Gueron
President

TESTIMONY OF

JUDITH M. GUERON

PRESIDENT

MANPOWER DEMONSTRATION RESEARCH CORPORATION

before the

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

of the

SENATE FINANCE COMMITTEE

February 23, 1987

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I am pleased to have this opportunity to share with you some of the findings from our five-year, multi-state evaluation of state work/welfare initiatives, and to discuss their implications for the current debate on welfare reform.

Senator Moynihan has pointed out the emerging consensus among policy makers concerning the responsibility of parents to support their children, and the responsibility of government to help poor and welfare-dependent parents achieve self-sufficiency. While the outlines differ, the more comprehensive proposals to implement these reforms call for strengthening the enforcement of child support, establishing a national minimum welfare benefit, extending benefits to two-parent families, increasing the income of the working poor, and addressing the underlying need for educational reform and a stronger economy.

While the cost and feasibility of much of this are still being debated, there is a common core in most of the proposals about which we do have solid information. This can best be called a redefinition of the social contract, whereby welfare programs such as Aid to Families with Dependent Children (AFDC) would be changed from a broad entitlement to a reciprocal obligation between citizen and state. By the terms of this contract, work -- or participation in an activity leading to work -- is required in return for public aid.

Work/Welfare Research: A Solid Basis for Welfare Reform

Usually, a new consensus surfaces in a climate long on rhetoric and short on facts. Fortunately, the body of knowledge on work approaches has grown considerably over the last four years. In 1982, the Manpower Demonstration Research Corporation began a five-year study examining eight state initiatives that attempt to restructure the relationship between welfare and work. This allows us to draw upon the results of several years of careful testing. We can avoid overstating the magnitude of the possible results, while at the same time not yield to pessimists.

The Work/Welfare Response to the Deficiencies of WIN

All of these programs represent innovative responses by states to the administrative and programmatic flexibility offered in the Omnibus Budget Reconciliation Act of 1981. OBRA offered states a new option which allowed them to change the institutional arrangements for delivering employment and training services which had existed under the Work Incentive (WIN) Program. The WIN program was originally mandated to link welfare to work by providing training opportunities for adult AFDC recipients with school-age children. Recipients were officially required to participate in job training or job search, and to accept employment offers. However, the WIN program was not funded at a level sufficient to meet these objectives, so the program was usually unable to provide services and enforce requirements as mandated.

The option introduced under OBRA, known as the WIN Demonstration Program, seemed to trigger a new resolve on the part of state administrators to establish meaningful work-related obligations for AFDC recipients. Because the resources were very limited, the changes were relatively modest in scale and design, but they moved in the direction of establishing a reciprocal obligation. In these new welfare employment approaches, to receive benefits people would have to search for work, participate in training programs, or accept a "workfare" (work- for-benefits) position. In return, the state would provide the services and supports necessary to allow participation. The programs were mandatory: welfare benefits could be reduced for failure to participate.

Program Design and Target Population

The MDRC study of the work/welfare initiatives does not test a centrally developed and funded reform proposal, but rather evaluates programs designed at the state level. To ensure that the project produced findings of national relevance, MDRC studied states that are broadly representative of national variations in local conditions, administrative arrangements, and AFDC benefit levels. Final results are available on programs serving the urban centers of San Diego and Baltimore, and programs spanning large multi-county areas including both rural and urban Arkansas, Virginia, and West Virginia. At its conclusion, the demonstration will also include full evaluations of programs in Chicago, New Jersey, and Maine.

The population studied is primarily female heads of households who qualify for AFDC, the nation's largest cash assistance welfare program. In most cases, only mothers with school-age children, about one-third of the caseload, were targeted for participation. In two states, the study also included male participants from the rolls of AFDC-U, the welfare program for unemployed heads of two-parent families.

The programs used a variety of strategies to link welfare to work. The most common method was job search, either by itself or in combination with workfare. In a few states, limited education and training opportunities were also part of the program. Overall, these were relatively low-cost, short-term interventions. Group job search typically lasted from two to four weeks, and work experience lasted 13 weeks.

Each state's program represented a particular mix of services and a certain degree of obligation. The research addresses the feasibility and effectiveness of the combination of assistance and requirements, and can not separately examine which of the two was responsible for program achievements.

MDRC measured the success of these programs in terms of "impacts." Individuals in the study sample were randomly assigned to two groups. Those in the experimental group were required to participate in the program; those in the control group could not. After a follow-up period, the earnings, employment, and welfare receipt of the experimentals were compared to those of the controls. The experimental group demonstrates the effect of the program upon employment and welfare patterns, and the control group represents the patterns that would occur without a program. The differences between the two are the program impacts.

Findings, Implications, and Open Issues

- The findings of these careful studies of relatively low-cost employment initiatives in five states provide a basis for action in 1987. They show that:

  o It is feasible to require work-related obligations as a condition of welfare receipt.

On the whole, the states and localities were successful in getting a substantial portion of the eligible AFDC caseload to participate in the required activities of their work/welfare programs. This represents a major management achievement for program operators. It is particularly striking when compared to the participation record of the pre-1981 WIN program, which was unable to establish meaningful work-related obligations for recipients.

However, one should not exaggerate the intensity or scope of this obligation. The major activity by far has been job search, a relatively short-term and modest intervention. Education and training activities were limited, and unpaid work experience was almost always a brief obligation -- usually lasting no more than 13 weeks.

The limited nature of the requirement is in part a reflection of funding constraints. The programs were relatively inexpensive, with average net costs per enrollee ranging from $165 in Arkansas to $1,050 in Baltimore. Had the typical obligation been longer or more intensive, it would have been necessary to raise the level of the initial investments in services. States have thus far managed to deliver services with generally modest funding. However, if resources remain low or are further depleted -- or if the programs expand in scale -- there is a risk of returning to the pre-1981 WIN approach of formal registration requirements and little real programmatic content.

- The majority of participants responded favorably to their workfare assignments, and their supervisors considered their work to be valuable.

Workfare jobs were generally entry-level positions in maintenance or clerical work, park service, or human services. While the positions did not primarily develop skills, they were not make-work either. Supervisors judged the work important, and indicated that participants' productivity and attendance were similar to those of most entry-level workers.

Among participants, a large proportion responded positively to the work assignments. They were satisfied with the positions and liked coming to work, believed they were making a useful contribution, and indicated that they thought a work requirement was fair. Nevertheless, many participants believed that their "employer" benefited from the program more than they did, or that they were underpaid for their work. In brief, they would have preferred a paid job.

- The work/welfare initiatives increased employment and earnings, and reduced welfare costs.

The results of the study dispel the notion that employment and training interventions do not work. Most of the programs for which we have final results produced gains in employment and earnings, and savings in welfare payments for women on AFDC.

The percentage of experimentals who held unsubsidized jobs during the study period was greater overall than the percentage of controls with jobs. The program improved the employment of people on welfare in four of the five states for which we have final results. For example, in Maryland, 51% of experimentals were employed at some time during the 12-month study period, compared to only 44% of controls -- an employment difference of 7 percentage points. In San Diego, the employment rate of experiementals over 15 months was 6 percentage points higher than that of controls (61% compared to 55%). This is a 10% improvement.

As a result, the average earnings of experimentals were also higher than those of the control group. During the 15-month follow-up period in San Diego, the average total earnings per experimental (including nonearners as well as earners) were on the average $700 higher than the $3,100 earned on average by the controls. This is a 23% increase overall. Across four states, the earnings gains ranged from 8 to 37 percent.

The results also point to a way to increase the effectiveness of work/welfare programs. The findings show that the most employable people -- new applicants for welfare who have recently worked -- do not gain much, if at all, from the relatively low-cost programs that basically teach them what they already know. With no particular program assistance, many of these women usually stay on welfare only relatively briefly. In contrast, the next group -- women applying for welfare without recent work experience -- can benefit substantially from support and assistance. While more of these women remain on welfare after participating in a work program, their employment rates increase by substantial amounts. Finally, very initial indications are that the relatively inexpensive programs studied so far may not be very effective for the small group of welfare recipients who have been on the rolls for years and have very limited skills and work experience.

The results suggest two exceptions to this overall positive picture. First, the pure workfare program in the state of West Virginia did not lead to increased employment and earnings. The rural nature of the state, and its high unemployment severely limited job opportunities. Second, the gains in employment and earnings were not shared by recipients of AFDC-U, the welfare program usually involving the male partners from unemployed, two-parent households. Nevertheless, the work/welfare program was still cost-effective among this portion of the target population.

Turning to the effect on welfare dependency, overall these programs produced welfare savings that were smaller than the earnings increases. For example, in San Diego, the average savings over 18 months was $288, reflecting an 8% decline over the average $3700 received by controls. In Virginia, there were average savings of $84 per experimental, a 4% difference from control benefits. Across the four states, savings ranged from 0 to 11%.

Overall, these findings suggest that work/welfare initiatives can make consistent and measureable improvements in peoples lives. Multiplied by large numbers of people and over a long period of time, these relatively modest improvements take on considerable policy significance. However, the programs have not so far led to major reductions in poverty or dependency. In assessing these findings, it is important to remember that they were produced by programs that had participation obligations of limited intensity, cost, or duration. An important open question is whether more costly, comprehensive programs -- providing either more services or longer obligations -- would have greater impacts. In addition, it is unclear whether these low-cost programs were beneficial to the most disadvantaged -- those with major, multiple barriers to employment, such as severe educational deficits, or language problems. It is possible that there is a threshold below which more intensive assistance is required. Finally, we do not know whether these programs could be extended to a greater share of the caseload without compromising quality, encountering political or administrative resistance, or raising broader issues of in- or post-program displacement.

o Overall, program benefits outweighed costs, for both participants and the state and federal government.

The work/welfare initiatives cost money upfront, but in general the investment paid off in future budget savings in less than five years (and sometimes substantially less). The ability of mainstream programs such as these to effect change on a large scale is an important new finding.

Moreover, the research produced unusual findings on the distribution of benefits across federal, state, and county budgets. In San Diego, where a detailed study was conducted, all three levels of government gained under the particular funding formula and matching arrangements in place. However, the federal government bore more than half of the costs and enjoyed the greatest net savings. This finding provides a rationale for continued federal support for programs like these work/welfare initiatives. Had there been no federal funds -- or had there been substantially less -- the state and county would have had no financial incentive to run these cost-effective programs.

For program participants, as well as program operators, the benefit/cost picture is again generally positive, although results vary according to target group. For AFDC women, the increased earnings associated with the programs usually exceeded reductions in welfare benefits and losses in other transfer payments, such as Medicaid and Food Stamps.

While the findings of the overall cost-effectiveness of work initiatives is important, they do not address a major issue in the current debate: the extension of work requirements to women with pre-school children. For these women, program costs -- especially those for child care -- would be higher, and program effectiveness remains uncertain. Clearly the evidence of long-term dependency for young, never-married mothers suggests the importance of addressing the effectiveness of services for this group.

o A number of quite different ways of structuring and targeting these programs will yield effective results.

Overall, the results do not point to a uniform program structure that merits national replication. Instead, one of the notable characteristics of these state welfare initiatives is their diversity -- in population served, local conditions, and program design. A key explanation for the successful implementation of these initiatives may indeed be that states were given an opportunity to experiment and felt more ownership in the programs than they did in the earlier WIN program, which was characterized by highly prescriptive central direction.

Implications for Program Design

As Congress moves to translate the growing concensus on the need for reciprocal obligations into programmatic strategies that also provide opportunities, consideration should be given to other lessons that emerge from the MDRC findings: lessons about the relationship between funding and program scale, targeting and performance standards.

Funding, Scale and Intensity

First, it is important that the expectations about what a program can achieve be consistent with the level of funding it receives. It should be recognized at the outset that if funding is very limited, a choice must be made between programs which are large scale but limited in their range of activities, and programs which offer intensive or comprehensive treatment to a smaller proportion of the caseload.

States cannot be expected both to intensify their efforts to improve the employability of their welfare population and to increase the number of people served, unless more money is put into the system. If funding for welfare employment programs stays at the current level or declines, states will be forced to operate programs that either limit the number of people they serve, or limit the services they provide. In either case, the outcomes are likely to disappoint those who expect welfare employment programs to "solve" the welfare problem.

Faced with the opportunity to overhaul the welfare employment system, policy-makers should take care not to replay the WIN experience of the 1970s and foster ambitious expectations that are not supported with adequate funding. In theory, WIN was intended to require all adult AFDC recipients with school-age children to particpate in training or job search, and to accept employment offers. In fact, it was never adequately funded or staffed to enforce these requirements, and the work obligation existed on paper only.

More recently, the experimental programs studied in MDRC's evaluations suggest the limited results of operating relatively inexpensive programs for a large segment of the caseload. More recent state initiatives -- for example, E.T. in Massachusetts and GAIN in California -- are designed to provide more options and more intensive services to a broad spectrum of welfare recipients, but they rely on funding sources in addition to the federal WIN system. Not all states appear to be in a position to concentrate resources to this degree, however.

Cost Sharing and the Federal Role

The cost-benefit studies in MDRC's work/welfare demonstration also provide insights into the cost-sharing relationship between the federal government and the states in welfare employment programs. The findings highlight the importance of continued federal support to encourage states to undertake work programs that may ultimately prove cost-effective and in which the bulk of the savings accrue to the federal government. Moreover, increasing the required state match may prevent poorer states from introducing programs which entail large initial outlays of cash. States which are not able to make up the difference if the current 90/10 matching arrangement were changed to a 50/50 match could wind up with smaller welfare employment budgets than they currently have.

Targeting and Performance Standards

Care also needs to be taken to ensure that program funds are not misspent by targeting services to the part of the caseload that is least in need of assistance. The most employable welfare group usually stays on welfare only briefly. It is important that performance standards not encourage program operators to serve this group to the exclusion of the more disadvantaged members of the caseload. Performance measures that place emphasis on achieving high rates of job placements at low costs, for example, are likely to have exactly that effect. Such a strategy may amass impressive performance statistics, but it concentrates limited resources on the people who can probably get off welfare without them and limits the assistance available to those who can most benefit from it.

More Intensive and Comprehensive Programs

The persistence of dependency and the limited magnitude of the employment and earnings gains in the programs evaluated by MDRC provide a rationale for states to offer more intensive services to move recipients into jobs and off the welfare rolls. A number of states are already doing so, in part by relying on the large-scale coordination of existing service delivery systems. These programs should be carefully tested. While there is some research evidence to show that such approaches can be effective, it is still unclear whether larger investments in education and training have a larger payoff, which segments of the welfare population can benefit the most from such approaches, and whether they will be more successful than earlier efforts in reducing welfare dependency. There is also much to be learned about the resources of time, money, and staffing necessary to plan, coordinate and monitor such large-scale programs.

Conclusion

The relatively modest achievements of the first wave of welfare employment programs under OBRA and the cautions expressed here should not deter you from action. On the contrary, I would urge you to use the findings as a foundation on which to construct a new welfare employment system which can avoid some of the mistakes of the past and push into new areas. Most importantly, I would urge you not to miss the opportunity to revamp the WIN system by losing sight of welfare employment programs in the rush for more comprehensive welfare reform measures. Work programs cannot by themselves solve the poverty problem, but they are important stepping stones -- or building blocks -- on the route to self-sufficiency.

Senator MOYNIHAN. I am going to ask if our good friends from NYU and Brookings and Brandeis would indulge us.

Mr. Kolberg, the President and CEO of the National Alliance of Business, has been here patiently all morning and has to leave by noon.

Therefore, sir, we welcome you, and we look forward to your testimony, which will be put in the record as if read, and then you can just tell us it in your own words.

STATEMENT OF WILLIAM H. KOLBERG, PRESIDENT AND CEO, NATIONAL ALLIANCE OF BUSINESS, WASHINGTON, DC

Mr. KOLBERG. Mr. Chairman, I appreciate being allowed to speak out of order this morning. You and I may be the only two people in this room, and maybe in this whole hearing, who were involved in the Family Assistance Plan in the Nixon Administration in 1970.

Senator MOYNIHAN. A long time ago.

Mr. KOLBERG. I can think of no one in the country who is better qualified to lead this set of hearings and lead us to get something done finally in this area. I congratulate you on what you have already done, and you have a monumental task before you.

As I was thinking this morning and listening to the other testimony, several things occurred to me that I thought it useful to point out in terms of differences, what has happened in the last 17 years.

First and most importantly, it seems to me, is the cultural change in our society. When we were working before on this problem, less than a third of mothers with young children were working. The baby-boom mothers are working now to the tune of about 74 percent. And so it is a very normal thing: Mothers with young children work—all mothers of all classes. And certainly, therefore, it is time for us to readdress that whole question.

Second, you have heard this morning and in your other days of hearings that welfare reform has begun; it is already well along in a number of states. Governors are exciting. In terms of even the last 10 years, the most exciting things going on in domestic policy and domestic programs in this country are being done by governors and being done by states. You have heard a good many of those, and I think it is important to recognize that.

Third, the Federal Government has played a part. In the last six years the Federal Government has loosened up and become much more flexible in its authorities and its money, which have allowed governors to move ahead and do the things that they have done.

Last, as the President of the National Alliance of Business, I would say to you that I think business is more interested and more involved now than they have ever been in this issue, first of all because of the Job Training Partnership Act. As I will point out several times, 10,000 business volunteers now serve on the Job Training Partnership Act private-industry councils in every community. They are very involved in this kind of thing.

Forty-two percent of the trainees under JTPA are welfare recipients, so you have a cadre of intelligent, involved business people out there that already know a lot about welfare problems in their community and welfare reform.

The last point I would make—and I think the previous witness said something about this—we have a window of opportunity in the next few years. The demographics make it possible for us to do something. There are two-fifths less young people coming into the labor force over the next 10 years than ever; we have the smallest growth in our labor force that we have had since the Thirties. If our job creation can continue on even a moderate path over the next 10 years, we have a chance to find jobs, entry-level jobs, for people that are trained, willing, and able to work.

With that, Mr. Chairman, let me just shorten my testimony by saying a few specific things drawn from the printed testimony.

The first and most important principle, we think, is the need for state flexibility, and I think I have already made that point. States are moving ahead in this kind of thing. A number of states have already done very innovative things. And in that flexibility, it seems to me there are four points that need to be made:

First, continue adequate funding to stimulate the implementation of state welfare to work programs. We have heard about the work-incentive money; 20 percent of AFDC people in the states have used the WIN money. That needs to be continued. That has been a very strong motivator for state legislators to put up state money to move ahead with welfare reform.

Second, leave discretion to the governor to determine which state agency should administer the program. Let's stay out of the way of the governors. Let them decide how to organize state government, whether it is the welfare agency or the employment agency or a combination—governors know better how to do that than the federal level does.

Third, let us continue to authorize a broad range of allowable activities, so we can simplify program design.

And finally, let's make it possible again for governors to coordinate this program with the multitude of other employment and training programs. Many of them are out there. States are beginning to make some sense in integrating program delivery systems, and we need to allow the flexibility.

The second key principle that I would talk about this morning is the need for substantial local control over service delivery. Again, the private industry councils of the Job Training Partnership Act have involved governors, have involved mayors, have involved the business community. It goes without saying, I think, that the business folks know where the jobs are, they now know a great deal more about training the disadvantaged than they did four or five years, and clearly a lot of those delivery-system decisions must be made at the local level.

The third point I have already talked about, business involvement.

I would ask you and the committee to take a very careful look at the Job Training Partnership Act. We in the business community have spent a lot of time and a lot of effort to try to become partners from the top to the bottom in a delivery system which we think now involves a very effective partnership between government at all levels and the private sector. We think having business people involved adds a new dimension of credibility, of understanding and know-how to this whole system.

As Governor Dukakis has probably pointed out to you, he is using private industry councils as a key delivery mechanism in his program; we would think other states might want to do the same thing.

Let me, then, just skip over the rest. I see the red light is on, Mr. Chairman, and we in business like to get things done efficiently and effectively. I hate to be the one who runs too far. Let me just skip to the end.

The Work Incentive Program, as has been pointed out here this morning, expires in terms of dollars in June. I would hope that what the committee might do is use that as an action-forcing event, if you will, not only to provide more money, because WIN has been an effective motivator at the state level, but also we would hope that the committee might just pull that whole area out and go with a separate piece of legislation, and go quickly.

As you have heard from me and every other witness, a lot of very innovative, important things are already going on in welfare reform. The WIN money has been an important key, perhaps the most important federal key, to urging that innovation on, and to stop that money now would be wrong. I think it probably is time to rewrite that, so that states—for instance, in our view, it shouldn't any longer be a 90/10 program; states ought to be asked to put up more money than they have in the past. It seems to us a 25–30 percent state match would be very reasonable. But let's fund it, as Dr. Gueron said. Let us fund it so that the money is there to urge the states along, so it becomes a real carrot, a federal carrot, to allow and encourage states to move ahead with welfare-to-work programs.

Mr. Chairman, I am over time, and I will stop.

Senator MOYNIHAN. May I say to you that you make a very important point about what our chances look like. The demographics are with us, for a change.

Mr. KOLBERG. That is right.

Senator MOYNIHAN. After watching that baby boom just crash into one institution after another for the last 40 years or so, I think it would be useful for our staff if we could just have Bill give us those numbers, something about the enormous drop in persons entering the labor market over the course of the next decade. That gives us a moment here that should encourage the thought that it is not hopeless. Maybe that is why we are getting around to the subject.

Senator Rockefeller?

Senator ROCKEFELLER. No questions, Mr. Chairman.

Senator MOYNIHAN. Senator Bradley?

Senator BRADLEY. Thank you, Mr. Chairman. I would just like to echo your word on the demographic point that you made. I suppose what we will have to weigh, what inevitably will be the fact, is that there are many people in this country who are undertrained and unemployed.

Do you see a potential tension between this group and new immigrants who come into the country? This is not a new tension, by the way, in American history; but do you have any counsel for us from the business community as to that tension?

Mr. KOLBERG. Clearly, Senator Bradley, there is that tension. The mis-match I talked about ought to be of concern to all of us; it isn't just relating to welfare clients but it relates to our young people. Jobs become more complicated all of the time. Our recent study showed that three out of four jobs by 1995 are going to require training beyond high school; so jobs become ever more complicated. And so the mis-match—23 million adult functionally illiterate people, we are losing a million young people out of our schools every year who drop out. Essentially, dropouts are unemployable, increasingly. Functionally illiterates are unemployable. And yet, at the same time, if we have this strong inflow of people from outside the United States, obviously you are going to have a real problem. Are employers then going to be attracted more to those that want to work, that are capable of working, who come from outside the United States, rather than address the real problem of the underclass—those that are disadvantaged, unemployed, functionally illiterate—whatever their problems?

We would hope that, through policies both public and private, that we spend our time over the next 10 years seeing if we can't dig at that real problem in our center cities, whether it is New York City or wherever it may be, the problems of the underclass, welfare, those that drop out of school, the functionally illiterate—we have an opportunity to do something about it, and now is the time to do something about it.

Senator BRADLEY. The opportunity.

Senator MOYNIHAN. Sir, thanking you for your testimony and knowing you have to be on your way, may I just say that back in the 1960's a lot of organizations got started doing something about the issues that arose and the problems that appeared. Most of those organizations have disappeared, and most of those people have disappeared. The National Alliance of Business has not, and this member of the Senate would like to thank you all for hanging in there. You come with experience and commitment. Twenty years is a long time, and it certainly wasn't easy 17 years ago when we were working on these things, and we didn't succeed. We knew. I think it was to one of your groups that I said that if we didn't get that bill in 1970, we wouldn't get it in that decade. Well, we didn't. But life goes on, and you are still here.

Will you take something back to your board? Tell them the Finance Committee appreciates what they are doing and admires what they are doing.

Mr. KOLBERG. Thank you for your kind words about the National Alliance of Business.

Senator MOYNIHAN. Sir, thank you.

We are now going to go back to our regular order, and we are very pleased and I think privileged to have a panel of three of the most distinguished research economists and sociologists in our country, who concern themselves with human resources and questions of public entitlement and private obligation: We have Lawrence Mead of New York University, who is now visiting at the La-Follette Institute at Wisconsin. His seminal work on obligation appeared several years ago and obviously greatly influenced the course of the discussion in our nation—you hear it; every witness is talking about "social contracts," and out in California they are drawing them up.

And we have Robert Reischauer, who is at Brookings, who is going to speak to us on a subject that he is particularly well qualified to speak to, the Expansion of the Earned Income Tax Credit.

And then, Professor Bob Lerman of the Center for Human Resources of the Heller School of Social Work at Brandeis University, and he is going to discuss Helping the Poor Outside the Welfare System, a Proposal for Restructuring Antipoverty Policy.

I welcome you all, and as is our pleasant practice, we like to advertise books for sale from time to time. (Laughter.)

Mr. Mead, you are first, and you can commence with "Beyond Entitlement," or wherever you would like.

And I would like to hear from all three members of the panel.

[Mr. Kolberg's written prepared testimony follows:]

TESTIMONY
OF THE
NATIONAL ALLIANCE OF BUSINESS
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY
COMMITTEE ON FINANCE
UNITED STATES SENATE
ON WORK AND WELFARE ISSUES

FEBRUARY 23, 1987

Mr. Chairman, I appreciate the opportunity to discuss the views of the National Alliance of Business on issues related to training welfare recipients for jobs in the private sector.

My name is William H. Kolberg, President of the National Alliance of Business. The Alliance has worked to promote job and training opportunities for the economically disadvantaged for 19 years. We are the only organization led by, and representing, business in the specific areas of job training, employment, and human resource development for the nation's unemployed and disadvantaged. Our experience in working with both private sector employers and publicly funded job training programs provides us with a unique perspective on the subject of these hearings.

At the outset, I want to commend the Subcommittee for holding hearings on what we feel is the critical element in welfare reform. We believe that the only meaningful way to change from a life of welfare dependency to one of self-sufficiency is by providing the training, support, and incentives necessary for competitive employment in our private, free market economy.

Business Interest in Welfare Reform

When the Alliance was founded nearly two decades ago, private sector interest in the disadvantaged was based mainly on social commitment. Since the late 1970s, however, the interest and involvement of private sector employers in the problems of the disadvantaged has increased substantially, due in large part to a growing concern about the lack of literate and qualified applicants to meet increasingly complex job requirements. The slowing of labor force growth that the nation has been experiencing for several years, and will continue to experience for several years to come, restricts employer choice in filling job vacancies. Unless a concerted effort is made to increase the education and skills of available workers, productivity could be impaired and economic growth could be undermined.

Employers are beginning to understand this problem, and are increasingly committed to doing something about it. Business interest in welfare reform is no longer based solely on the social good, but on economic necessity. Tight labor markets in the Northeastern states and shortages of qualified entry-level workers in local labor markets throughout the nation are spurring business interest in facilitating the transition from welfare dependency to productive employment.

Growing business concern has coincided with a growing state interest in welfare to work efforts. Two decades ago, the federal government had to assume the burden of assisting the poor because most states were either unable or unwilling to do so. Now, many states are competing with each other to design the most effective welfare to work programs. That transformation has been spurred in part by the desire to reduce state welfare expenditures. But it has also been reinforced by a change in public attitudes. The rate of entry into the workforce for all women -- including single parents with children -- has increased dramatically, leading many to reconsider the equity and appropriateness of expecting that able-bodied welfare mothers should be supported without working.

Another factor is federal legislation. Changes in the early 1980s granted states greater flexibility and authority in planning and operating employment and training programs for welfare recipients, launching a wave of state experimentation. The success of many of those experiments has fueled additional interest and innovation.

Key Principles

Mr. Chairman, we believe there are three key principles that should guide employment and training programs for welfare recipients and other disadvantaged groups.

State Flexibility. One important principle is the need for state flexibility. Decades of categorical federal legislation have left states with a patchwork collection of narrowly targeted programs that lack vision and the coherent policy framework needed to promote employment. To compound the problem, state education, job training, economic development, and human services agencies operate in relative isolation, despite their mutual interests and their combined effect on the state's economy.

Over the past several years, individual states have been struggling to develop a rational policy framework and to reshape existing delivery systems to meet their employment and training needs. A major thrust has been the coordination, and in some cases integration, of related human resource development functions within the state. This is often achieved through a state-level strategic planning process that addresses a broad spectrum of state programs. The key players have been the governors, who are in a unique position to fashion a rational system through their authority over state administrative agencies.

Currently, states have many program options for addressing the employment-related needs of welfare recipients. The Work Incentive (WIN) and WIN Demonstration programs serve around 20 percent of AFDC recipients and are the most important element in most state welfare to work programs. The Job Training Partnership Act (JTPA) programs also serve welfare recipients in proportion to their representation in the local population -- at present some 42 percent of JTPA participants are public assistance recipients. In addition, some states are taking advantage of federal matching funds to operate community work experience (CWEP), job search, and work supplementation programs.

States also have at their disposal statewide networks of community colleges, vocational and technical schools, and public school systems. Moreover, states have access to federal funding to provide English as a second language (ESOL) instruction and adult basic education.

The challenge to state human resource planners is to assemble these many pieces of the puzzle, along with others, to fashion a coordinated and comprehensive employment and training system to move welfare recipients into unsubsidized employment. Given the considerable diversity in state administrative capacity, welfare characteristics, and economic conditions, it is clear that no federal model could fit every state equally well. In fact, such an approach would necessarily be inefficient. States are still experimenting with the many options they have under current law. The federal government's role is to insure they have the proper tools, and the flexibility, to do the job.

To preserve state flexibility, federal welfare to work legislation should:

- Continue funding to stimulate the implementation of state welfare to work programs. WIN grant money has played a critical role in leveraging additional financing from state legislatures. Under a new federal program, continued, but stable, funding of this type is essential.

- Leave discretion to the governor to determine which state agency should administer the program. The WIN Demonstration authority has been a significant incentive to state experimentation. Each state should be free to decide how this piece fits best into its emerging employment and training strategy.

- Allow a broad range of allowable activities to simplify program design and facilitate program integration. Authority for welfare to work programs should be consolidated in one place in federal statute, and should include all services authorized in current legislation.

- Require coordination of the new welfare to work program with other employment and training programs within the state. This could be accomplished through the state job training coordinating councils established under the Job Training Partnership Act.

Local Control. Another principle is the need for substantial local control over service delivery. Because the demand for workers, the types of employers, the population to be served, and the resources available vary substantially across different areas of the state, the design and operation of employment and training services must take place at the local level.

A wide range of education, economic development, welfare, and employment-related services exists in most communities. Effective local planning can orchestrate these local resources to provide a logical stream of programs and services that cuts across institutional boundaries. Currently, a number of local areas are experimenting with one-stop shopping, case management approaches, and competency-based curricula that allow program participants who face occupational barriers to enter the employment and training system at practically any level and progress toward self-sufficiency at their own pace.

In such a system, it is no longer necessary for every program to provide sufficient resources for every conceivable service that participants might require. Instead, local planners should be able to draw on many different resources -- both public and private -- to provide comprehensive services to those in need.

To promote local control, federal welfare to work legislation should:

- Leave open who should provide services at the local level. That decision should more appropriately be made by local planners.
- Require coordination of welfare to work services with other employment and training services available in the same local area to avoid duplication of effort.

Business Involvement. A final principle is that business has an important role to play in designing and overseeing employment and training programs. To begin with, the private sector has over 80 percent of the jobs. In addition, private sector employers know what job skills are needed in their industries and geographic areas. Their understanding of local labor market trends can help inform appropriate public program designs, training content, and necessary support services. And where private sector job placements are the goal of public initiatives, employers know best what level of competency they require from program graduates. Finally, local private sector leaders can serve an important role as an outside broker, or focal point, to facilitate coordination among various public programs related to employment and training. Very often it is the "neutral" business volunteers who can motivate various public agencies and officials to work more effectively together and coordinate resources more efficiently toward a common goal.

We believe that valuable lessons for welfare to work programs can be drawn from experience under the Job Training Partnership Act (JTPA). That law incorporated the landmark principle of private sector involvement in finding solutions to "social" problems by equalizing authority between the public and private sectors over all aspects of local policymaking, planning, administration, and program operations. This was a deliberate and concrete recognition of the need to harness private sector expertise, resources, and support, and to tailor publicly financed training programs to local economic realities.

We believe that such a partnership brings the best leadership, resources, and commitment to the table in each local community to address a common problem. Under JTPA, each local service delivery area must establish a private industry council with a majority membership of business volunteers, with other members coming from education, welfare agencies, the employment service, organized labor, and community-based organizations. Each private industry council shares authority with local elected officials over program design and skill content, service delivery, oversight, and coordination.

After nearly four years of operation, we have seen that employers have a lot to bring to the table. They are willing to participate and have done so effectively. We have seen the private industry council, as a community institution, begin to mature and to define its role more broadly as a center of human resource policy in the local labor market. The councils have an established identity and credibility in the business community.

In some states, the public-private partnership concept is already being extended to welfare to work initiatives. The Massachusetts "ET" Choices program makes extensive use of local private industry councils. The concept is also being applied in the California GAIN program and in numerous local welfare to work initiatives.

To promote business involvement, federal welfare to work legislation should:

- Utilize existing public-private partnership institutions to gain private expertise, resources, and support, and to coordinate employment and training services for welfare recipients with other services available in the community.

Lessons from Successful Programs

Mr. Chairman, after two decades of public employment and training efforts on behalf of welfare recipients, it is possible to draw a few lessons about what makes programs succeed.

Incentives are more effective than punitive measures. Employers seek, and work best with, "motivated" employees who are more likely to be found in a voluntary system that offers them real opportunity. Most welfare recipients want to work but lack the skills or education to find a meaningful job that pays more than what they can receive in welfare benefits.

A voluntary system does not mean that the welfare system just waits for recipients to walk in the door, taking their own initiative to volunteer for job training. It is tied to a system that initiates an assessment of each welfare registrant, actively counseling them on the opportunities and incentives available for training and services.

If the incentives for recipients are appropriate, they should draw individuals into the program on their own. This appears to be the case in Massachusetts where volunteers are flooding the program for services and placement. The incentive is that most recipients double or triple their income in jobs compared to welfare payments.

Once incentives have drawn as many recipients as possible off the welfare rolls, then it might be appropriate to consider enforcing the enrollment of others into job training services. Self-selected and motivated participants, obviously, are more likely to succeed in getting jobs, holding them, and producing long term gains for themselves and the economy.

Participation must be more profitable than remaining on welfare. In our view, one of the persistent barriers that has plagued welfare reform efforts in the past has been the lack of meaningful financial incentives to draw participants into jobs more naturally. Probably the largest single problem has been the loss of Medicaid coverage or health care assistance when recipients take jobs. Wages may initially provide more cash flow to participants, but having to purchase independent health insurance for themselves and dependents often reduces income below what they received on welfare. This problem must be addressed if programs are to succeed.

Programs must offer incentives to employers to cover the extra costs of training and lost productivity. There are proven models in federal policy that give employers incentives for hiring and training unskilled, disadvantaged job seekers. These include on-the-job training reimbursements up to an amount that equals half of wages paid during a specific period of time, or tax credits on the actual wages paid. These are specific and effective incentives that help cover costs of extra supervision, training on the job, and lost productivity until the new employee comes up to speed. Such incentives are important to overcome the hesitancy of employers to hire welfare recipients over otherwise similar applicants who need less training.

We would recommend that incentives continue to be part of the federal authorization for programs seeking to place welfare recipients in good jobs, where they can receive additional training in job-specific skills from employers. Employers, knowing they are being reimbursed for the costs of training, will invest more time and training in the individual. Studies of past on-the-job training arrangements indicate that the reimbursements do not cover all the actual training costs to employers, which suggests that the incentive may leverage additional training funds to benefit participants.

Employers will expect, and must be able to rely on, continued public program assistance for other necessary client support services such as personal, job, and financial counseling, transportation, and day care. For this particular clientele, which is often characterized by little or no work history, the involvement of private employers is more likely to occur if they can be assured that the individuals they hire and train will be helped with the basic support services necessary to retain a job and to minimize distractions at the workplace. Employers are not equipped to provide many of the basic necessities clients will need in making the transition from welfare to work.

It is difficult to say which of the support services is most important initially, but intensive counseling and follow up after placement ranks high. Personal and financial counseling would help new employees establish a greater sense of stability and satisfaction in their new status, and can provide referral for transportation, day care, and other needs. Job counseling would provide them with a sounding board for job related fears and problems outside the potentially intimidating supervisory system of the workplace.

Employers must be able to measure program success, see results, and know that their efforts make a difference in how the program works. To maintain the long term commitment and involvement of employers in such initiatives, the program should include some system of accountability or performance measurement. The investment of public dollars should be able to show results.

Other public programs involving employers, like JTPA, have included performance evaluation criteria and have significantly improved the way in which employers view the programs. Performance measures become an important management tool, like those used every day in business. Performance goals improve chances of identifying problems early, allowing changes in program design, management, and oversight. Monitoring program results increases credibility among employers, who understand that if the program works and produces measurable results, it can justify a continued public investment.

Our experience has shown us that if employers have a role in the design of services against specific measurable outcomes, they gain a sense of ownership in the program.

A final lesson is the importance of simplicity in program requirements, reducing red tape and the perception of red tape, for business involvement. Employers have a natural reluctance to get involved in what they see as bureaucratic government programs, whether the perception is true or not. Legislation that does not attempt to regulate by statute and that provides the maximum flexibility for local decisionmaking in program designs is more likely to be successful in attracting private sector volunteers. It is possible to keep legislative requirements and administrative structures streamlined without losing accountability. When a program degenerates into a paperwork compliance process, at the expense of good program designs and results, the purpose is lost and business interest cannot be sustained.

Need for WIN Replacement

Mr. Chairman, we believe that new federal welfare to work legislation is needed that builds on this foundation. But we must be careful not to take a heavy-handed approach that could stifle the creative efforts being made by individual states. The most important contribution the federal government can make to improve the transition from welfare to work is to give the states the freedom and the "seed money" to continue their efforts. Currently, the WIN program is one of the most effective tools used by the states to provide a comprehensive mix of job search and training activities.

A new program is needed to replace WIN, whose funding runs out in June of this year. The new program should increase state and local flexibility, increase the state share of funding, broaden the range of authorized education and job training activities, and ensure the provision of adequate support services to sustain program participants. The program should be carefully coordinated with the public/private structures under JTPA. State Job Training Coordinating Councils should have a role in developing the overall policy guidelines for the program, and private industry councils should help plan and oversee programs at the local level. Finally, this new program should provide the critical incentive funds for states to undertake more comprehensive initiatives for helping welfare recipients prepare for private sector employment.

As the Subcommittee deliberates how best to move forward toward reform of the nation's welfare system, we hope that you will consider drafting separate legislation to address work and welfare issues. June is not far away, and the uncertainty over continued federal funding for state work and welfare initiatives is already frustrating state planning. We believe that federal work and welfare legislation, if considered apart from other potentially more controversial aspects of welfare reform, could be enacted before that deadline.

We are ready to work with you and your Subcommittee to help design such a program to create meaningful private sector work opportunities for welfare recipients.

Mr. Chairman, I would be happy to answer any questions you may have.

STATEMENT OF LAWRENCE MEAD, PROFESSOR, NEW YORK UNIVERSITY; VISITING PROFESSOR, LAFOLLETTE INSTITUTE, UNIVERSITY OF WISCONSIN, MADISON, WI

Professor **Mead**. Thank you very much, Mr. Chairman. It is an honor to participate in these deliberations.

I will not say anything about the overall reason for reform; I think you have heard a lot about that. I want to emphasize three points, one of which I suppose will not surprise you.

That is that an element of clear-cut obligation on the part of the recipients of welfare must be part of any successful reform. By that I mean an obligation to participate in some form of activity promoting self-reliance, either job search, or actual employment, or training.

Now, my reading of the problem in welfare employment is that the main constraint is not in fact lack of jobs. The situation in West Virginia, which we have heard about, is unusual. In most urban areas, anyway, jobs appear to be available at the margin, and that is not a serious constraint, at least at current work levels.

The problem, rather, is that welfare itself has not generally required participation on the part of the recipients in some form of meaningful activity.

What is new about the recent programs that MDRC has evaluated is that most of them more clearly require participation, and for this reason I think we see the impacts that we do.

There are some improved economic results in terms of higher earnings for the recipients and higher work hours, but in my view the most important consequence is simply participation itself, simply that these programs have raised the share of the employable recipients who have to do something in return for benefits. They have raised that share from the usual WIN level of about a third up to over half. That is, in my view, much the most important impact these programs have achieved.

Also, it is well to remember that this is what the public wants. Important as the economic impacts are, their main effect is to make it rational to pursue workfare; they give us the returns that we need to balance government's costs. But the public is interested in that participation in and of itself; they want that; they want people involved at higher levels of effort on their own behalf. And we should view that as an important impact all by itself.

Also, you earlier raised the question of what was the answer in New York State and New York City. I have done studies of the WIN Program in New York City and State, and I find, particularly in these areas, that the key to people getting into jobs is the share of the clients who are obligated to participate actively in the program. That is much more important than variations in the labor market or the demographics of the clients themselves.

To expect people to work is the most important thing you can do to cause them to enter jobs. Obligation doesn't much raise the quality of the jobs, and therefore an issue of equality remains to be addressed; but it does raise their participation in meaningful activity.

The second concern I have is that political reflexes of an inappropriate kind may keep us from generating an effective reform. I speak here as a political scientist. I hear some concerns expressed by liberals and conservatives that sound all too traditional. There is an effort on the part of some liberals, I think, to use welfare reform to reinvent the over-elaborate welfare state of the late 1970's, prior to the Reagan cuts. They want reform to consist mainly of new benefits and services for the recipients. Some benefits are necessary, but let us remember the history that purely voluntary, benefit-oriented programs have not raised work levels on welfare. We must not go down that road again. We must make sure that alongside the resources we have definite participation obligations.

Conservatives, for their part, see an opportunity here to reduce dependency, to reduce spending on welfare, perhaps to devolve welfare to lower levels of government. I think that agenda also is inappropriate to the kind of reform we are talking about. We can't expect workfare to save a lot of money in the short term. We shouldn't expect short-term reductions in dependency. What we should look for primarily is higher levels of participation by the recipients in some kind of activity.

Another political danger is what I would term overselling. If we think that workfare will work a transformation of welfare in the short term, then when we don't see it we will be disillusioned and we will withdraw funding. We will refuse to make a long-term commitment to administrative development, which is really required to make these programs effective.

Finally, what would be the essentials of reform? One important thing is to extend the reach of a participation requirement. It doesn't achieve very much if you define the share of the employable very narrowly; you must define it broadly, I would say to include mothers of children as young as three. And most importantly, you have to mandate actual participation by these people. Merely to require that they register, as they usually have to do in WIN, achieves very little. We have to set some targets for participation levels that the states have to achieve, under some kind of fiscal sanction or incentive. I would raise the share of the employable that have to participate actively from the current level, which is only 15 percent, up to 30 percent, then gradually up to 50 percent, and then see whether it is economic to go further.

We should try to see that at least half the employable recipients do something active in return for their support.

I will elaborate any of these points later.

Senator MOYNIHAN. Yes. And we will just go right through, proceeding to Dr. Reischauer.

[Professor Mead's written testimony follows:]

PRINCIPLES FOR WELFARE REFORM

TESTIMONY BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY
SENATE FINANCE COMMITTEE
100TH CONGRESS, 1ST SESSION

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23 FEBRUARY 1987

My name is Lawrence M. Mead. I am an Associate Professor of Politics at New York University. This semester I am a Visiting Professor at the La Follette Institute of Public Affairs at the University of Wisconsin--Madison. I have been studying welfare employment programs since 1975. I recently published Beyond Entitlement: The Social Obligations of Citizenship (Free Press, 1986), a study of the work requirements and other obligations in federal social programs.

A movement has gathered to reform welfare, especially Aid to Families with Dependent Children (AFDC). The main agenda is to require that more adult recipients work or take other steps to help themselves as a condition of support. Measures in this direction seem essential for the well-being of the recipients as well as the nation. Below, I summarize some reasons for this movement, what it might achieve, the political dangers it faces, and finally the essentials of reform itself.

I. REASONS FOR REFORM

The main impetus to reform is evidence that long-term dependency has become a serious problem in American welfare. It is at the heart of the nation's social problem, especially in the low-income areas of major cities.

It was once thought that most families on welfare remained there only for short periods, and that is true for about half the cases. But according to the best recent research, half the cases last more than two years, and 38 percent last five years or longer. These longer-term cases dominate the rolls at any given time.[1] Furthermore, prolonged dependency hits the most disadvantaged families hardest. Young, never-married mothers who go on AFDC with a child under 3 tend to stay dependent the longest; nearly 40 percent will spend a total of at least 10 years on the rolls.[2]

A major reason for dependency is nonwork by adult recipients, next only to seperation from their spouses.[3] Lack of earned income is even more important as a cause of poverty. About half of all spells of poverty begin through a loss of earnings, and three-quarters of them end through a gain in earnings. Even for female heads of families, earnings are the leading escape route out of poverty, more important than either remarriage or government benefits.[4] But it is a route few of the long-term poor or dependent take.

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[1] Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency," study prepared for the Department of Health and Human Services (Cambridge, Mass.: Urban Systems Research and Engineering, June 1983), ch. 2.

[2] Davit T. Ellwood, "Targeting 'Would-Be' Long-Term Recipients of AFDC," study prepared for the Department of Health and Human Services (Princeton: Mathematica Policy Research, January 1986), p. xiii

[3] Bane and Ellwood, "Dynamics of Dependence," pp. 17-22.

There is little reason to think the problem will solve itself. Only about a quarter of AFDC mothers are working or looking for work at a given time, about half the level for comparable, divorced or separated mothers in the general population, and the level is lower still for the long-term cases. After even two years on the rolls, the chance that a family will work itself off the rolls is less than 5 percent.[5] Work levels have hardly changed in two decades, even though welfare mothers have become more employable in that time.[6]

The main purpose of the current movement is to assure that more of the dependent do something to help themselves. The humane purpose of AFDC used to be to free needy mothers to stay at home to raise their children. Today there is widespread doubt that it is good for a single mother or her children for her not to work for long periods. Among families with limited education and work experience, nonwork tends to isolate and depress the mother, and it does not furnish the example of competence that children need to see in their parents. Ideally, a family has two parents, and between them they can both work and care for their children full-time. When the mother is the only parent, it is best that she divide her time between these tasks.

While welfare largely supports women and their children, there is concern also about poor men. Most welfare families are created when fathers leave their spouses or never marry them. Some argue the fathers leave to quality the families for AFDC, which does not cover two-parent families unless the father is unemployed. More likely, they leave because they despair of supporting the family on the wages they can earn, or they are kicked out as poor providers by the mothers. Welfare reform should not consist only of steps to make the mothers work, necessary those these are. Measures are also needed to obligate the fathers to do more to support their families, and to help them function better as breadwinners.

Nonwork is also hard on the nondependent. Polls show that Americans are deeply distressed by welfare. What they oppose is not dependency as such, since large numbers of better-off people rely on Social Security and other middle-class benefit programs. Rather it is *dysfunctional* dependency, the fact that welfare adults often do so little to help themselves. The presence of a substantial class of working-aged, yet dependent adults violates the American ideal of a nation of equal citizens. Greater integration of the long-term dependent is essential to achieve equality in this American sense. It is also vital to maintain political support for welfare and a generous social policy.[7]

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[4] Mary Jo Bane and David T. Ellwood, "Slipping Into and Out of Poverty: The Dynamics of Spells," Journal of Human Resources, vol. 21, no. 1 (Winter 1986), pp. 13-21.

[5] June A. O'Neill et al., "An Analysis of Time on Welfare," study prepared for the Department of Health and Human Services (Washington, D.C.: The Urban Institute, June 1984), pp. 27-8.

[6] Lawrence M. Mead, Beyond Entitlement: The Social Obligations of Citizenship (New York: Free Press, 1986), pp. 73-6.

II. WHAT REQUIREMENTS MIGHT ACHIEVE

These facts have put in question the passive approach that government took to dependency until recently. Since recipients want to work, it has been assumed that they will when they can. A number of impersonal "barriers" have been thought to keep them from working—lack of jobs or child care, racism or low skills, or the disincentives to work created by welfare itself. Government must remove these impediments, and then the adult poor will go to work without special prompting.

This was the reasoning behind the many benefit-oriented programs the Great Society invented to try to raise work levels. These included government training programs for disadvantaged workers and youth. In 1967, AFDC recipients were allowed to keep part of any earned income without any deduction from their grants, to create a stronger incentive to work. During the 1970s, large numbers of government jobs were created for the seriously unemployed, many of them welfare recipients.

However, research and experience have not shown the barriers to be very substantial. Especially, jobs of at least a low-paid kind seem widely available. The shortages, if any, are in rural areas, not in the cities where welfare is concentrated. The presence of large numbers of illegal aliens working in urban areas is one sign of that. The loss of Medicaid coverage is an important deterrent to work, but welfare itself is not. This is not to say that work is easy for welfare mothers, only that it is not notably more difficult for them than for other single mothers, most of whom now are working.[8]

Perhaps for this reason, none of the benefit-oriented programs showed much impact on work levels. Some of them generated worthwhile gains for the earnings of recipients, but none caused them to work more steadily in the jobs already available in the private sector. In particular, work incentives did not perceptibly raise employment levels in AFDC, nor did work effort drop when the incentives were largely eliminated in 1981.[9]

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[7] Mead, Beyond Entitlement, pp. 233-40.

[8] Lawrence M. Mead, "Work and Dependency, Part I: The Problem and Its Causes," paper written for the Welfare Dependency Project of the Hudson Institute, September 1986, part III, and "The Potential for Work Enforcement: A Study of WIN," unpublished paper.

[9] Lawrence M. Mead, "Work and Dependency, Part II: Past Policy and Proposals," paper written for the Welfare Dependency Project of the Hudson Institute, September 1986, pp. 5-17.

It has become clear that nonwork is due, less to barriers, than to the special inhibitions the long-term poor have about entering low-skilled jobs, the kind most accessible to them. Despite a desire to work, they have difficulty mustering the steady, committed work effort necessary to overcome poverty. Many feel that, while work is desirable, the responsibility for achieving it rests with government, which must locate a job, arrange child care, and so on. Others view as unjust having to take unskilled jobs that pay less than the norm for the economy. The first attitude seems more important for welfare mothers, the second for unskilled men.[10]

From this perspective, the problem with past federal programs was that they were permissive. They did not clearly require the dependent to work in return for benefits. Especially, AFDC has not seriously required adult recipients to work. The Work Incentive (WIN) program was established in 1967 to try to place employable recipients in work or training, but it has suffered from limited authority. Mothers with preschool children are excluded, though they comprise the bulk of adult recipients. Thus, only about a third of AFDC adults even have to register with WIN. And of these, only about a third have to do anything active to retain their welfare grants. The rest are excused informally by the staff, partly due to limited funding. And even for those who participate, the requirement is usually only to look for work, not actually work.[11]

The participation constraints are especially important, because WIN's performance depends mainly on the share of the employable recipients it obligates to participate actively. The higher that proportion, the higher the share of clients who enter jobs. Compared to low participation, the constraints posed by the clients' low skills or the limited jobs available are much less important.[12]

The 1981 reforms in AFDC were, in part, designed to counter these problems. States could now institute more stringent work requirements, and they would obligate mothers with children as young as 3. Since then, most states have implemented new welfare work programs of some kind. The programs cover, as yet, only a small part of the welfare caseload, and much of welfare reform comes down to deciding which of the new stipulations should be mandated for the nation.

The most publicized of the new options was "workfare," or a requiremens that employable clinets "work off" their grants in government jobs. But since the new programs involve many other strategies as well, I use "workfare" to cover all mandatory activitities aimed at increasing client independence, including education, training, and private-sector job search as well as public employment.

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[10] Mead, "Work and Dependency, Part I," part IV.

[11] Mead, Beyond Entitlement, chs 3, 6.

[12] Lawrence M. Mead, "Potential for Work Enforcement," and "Expectations and Welfare Work: WIN in New York State," Polity, vol. 18, no. 2 (Winter 1985), pp. 224-52..

Several of the new programs have been evaluated by the Manpower Demonstration Research Corporation (MDRC). The results suggest that welfare employment can raise the earnings of participants and the hours they work after they leave the program. It can reduce their dependency. The effects are greatest for the most disadvantaged recipients, exactly those we want most to reach. These economic gains are marginal, impressive for some programs, but not out of line with the impacts of earlier federal training programs.

They are important mainly because they show that it is not irrational to pursue workfare. To require work *is* an economic gain for both the recipient and government in most cases. It demands an increase in spending for administration and support services, especially child care, but much of the cost is recouped from savings in welfare as additional recipients enter jobs.[13]

On the other hand, there is no prospect that workfare will reduce welfare rolls by large increments in the short run. Nor will it advance economic equality in the sense of realizing average incomes for recipients. No training program can overcome the serious deficits in education and basic skills that most long-term dependent adults have. While workfare can raise earnings, it does this mainly by causing clients to work *more hours* in the rudimentary jobs they can already get. It does not much improve their wages.[14]

The economic effects of workfare may be less important than what I call its political impacts. The new programs have raised participation in work effort sharply. The share of employable recipients participating actively has typically been about half, well above the usual WIN level, and in the best-run programs (e.g., San Diego and West Virginia) it is considerably above that.[15] Higher participation is essential to the economic payoffs of workfare, but *it is also an end in itself*. To involve the recipients in mainstream activity would be valuable intrinsically, and would meet the chief public concern about welfare, even if there were no economic gains.

The other important political result is that the participants themselves support the new programs. Large majorities accept the fairness of the work requirement and feel positively about their work experience. Required jobs seldom impart new skills, but neither are they "make-work." The main reservation surfaces among those whose assignment is just to "work off" their grants—they would prefer regular jobs.[16] Activists who speak for recipients usually oppose work requirements in principle. The participants do not. Few feel they are being "forced" to work, and politically that is important. If it were otherwise, one could not imagine mandating requirements as national policy.

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[13] Judith M. Gueron, Work Initiatives for Welfare Recipients (New York: Manpower Demonstration Research Corporation, March 1986), pp. 14-21, and "Reforming Welfare With Work" (New York: Manpower Demonstration Research Corporation, December 1986), pp. 18-23.

[14] Mead, "Potential for Work Enforcement," pp. 8-9; Laurie J. Bassi and Orley Ashenfelter, "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," in Sheldon H. Danziger and Daniel H. Weinberg, eds., Fighting Poverty: What Works and What Doesn't (Cambridge, Mass.: Harvard University Press, 1986), p. 141.

[15] Gueron, Work Initiatives, pp. 10-11, and "Reforming Welfare," p. 16.

Three things about the new programs should be stressed, in all of which they resemble WIN. First, though required work in public jobs is allowed, most of the programs have emphasized placement in private-sector jobs instead. The reasons are that it is cheaper and that private jobs are generally available. A job constraint has emerged only in rural areas, at least at the participation levels currently achieved.[17]

Second, the impacts of the programs are comparable regardless of the strategy chosen. Some programs emphasize immediate job placement, with or without a public jobs component, and some emphasize training, but the outcome is much the same—important but limited economic gains coupled with higher participation.[18] My interpretation is that obligation is what makes the programs tick. It is essential that *some activity* be *required* of recipients. It is much less critical what that activity is. Job search, training, and education as well as immediate work in government jobs can promote employment—*provided they are mandatory*.[19]

Third, according to MDRC, most states have not implemented workfare "with a punitive intent."[20] Welfare advocates fear that the purpose of work requirements is only to cut the rolls or deter the needy from seeking assitance. That sometimes has been the intention, especially in the past and in General Assistance, state-funded programs that cover mostly single men. But in AFDC workfare, as in WIN, the main goal is to enforce a work requirement *within* welfare, not instead of it. It is to raise functioning levels among the dependent *even if* they remain dependent. Ambitions to save money and reduce dependency are important also, but secondary.

Workfare has so far been implemented only in some localities, and usually only for new applicants for AFDC. What would happen if it were instituted for the entire caseload? That is the main question existing studies do not answer. In all probability, the impacts would look worse in some senses than they do for the experimental programs. Adults already receiving welfare, especially the long-term cases, are usually less employable than those who have just applied for it, so the economic gains of workfare would be smaller, and would take more support services to realize. Overall participation rates would probably be lower. But because the full caseload was involved, the aggregate impact on the welfare problem would also be greater.

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[16] Gueron, Work Initiatives, pp. 13-14, and "Reforming Welfare," p. 17-18.

[17] Gueron, "Reforming Welfare," p. 23. West Virginia is the only state studied by MDRC that has had to rely mainly on government jobs for workfare.

[18] Gueron, "Reforming Welfare," pp. 26, 28.

[19] The mix of activities preferred by a program is not significantly related to WIN perfomance. See Mead, "Expectations and Welfare Work," p. 244, and "Potential for Work Enforcement," p. 9.

[20] Gueron, Work Initiatives, p. 13.

On current evidence, I believe it is feasible to implement a serious work requirement for at least half the employable recipients, and to do this should be the goal. Such a policy could at least make work-related activity, rather than inactivity, the norm on welfare. And over time, this would do much to reduce long-term dependency.

III. DANGERS TO REFORM

Despite the potential of workfare, a successful reform may elude us because of the political mistakes the nation is prone to in social policymaking. There is a very real danger that, through partisanship or overselling, we will expect from workfare what it cannot achieve and fail to realize what it can.

Partisanship

Workfare does not affect the principle that welfare is available to the needy. Its purpose is to change the *character* of assistance. But both left and right are tempted to use it to change the *extent* of what is done for the poor, the traditional bone of partisan contention. Some liberals talk as if, through welfare reform, they could revive the overblown welfare state of the late 1970s, prior to the Reagan cuts. Some conservatives talk as if reform could get rid of welfare as we know it, or at least devolve it to lower levels of government. Specific illusions include:

The services trap. Liberal plans for workfare tend to emphasize new child care and training benefits almost to the exclusion of work obligation. It is true, as noted above, that training as well as job placement can raise work levels. Government can usefully provide training or education to clients who, through enhanced skills, can get better-paying jobs. The best obligation teenage mothers can have is to graduate from high school. A training strategy is also popular with recipients, as it caters to their career hopes.

But for most recipients the gains from training are small. There is little prospect of equipping most clients for "better" jobs. The danger is that training becomes a substitute for work rather than a preparation for it. Trainees move from one preparation course to another and never come to terms with the labor market as it is, in which few jobs they can get match their expectations. It is well to remember that WIN invested heavily in training in its early years, up to 1971. Clients were posted to school and college in large numbers, in hopes that they could become secretaries, nurse's aides, or beauticians. Few did, and most of the rest remained on welfare rather than take lesser jobs. We must not repeat that mistake now.

The public jobs trap. Another risk is that workfare will revive the large public jobs programs of the 1970s. Some liberals accept the principle that the employable should work for their support, but only in government jobs.[21] The argument is that jobs may be lacking, or that those that exist are too abusive to be used to enforce work. But jobs generally do exist, at least of a low-paid kind. Government need not provide all the jobs for workfare, only a small pool of positions to give credibility to a private-sector placement operation.

A fear that available jobs will be inhumane is unreasonable as long as they meet federal standards for pay and conditions Perhaps those standards must be raised before, politically, we can mandate such jobs, for instance through raising the minimum wage or requiring health coverage. But that is an issue separate from welfare reform. If job quality is raised, it must be done for all low-paid workers, not just those on welfare. It is invidious and unjust to call available jobs too menial for recipients when millions of other Americans, not on welfare, do such jobs every day.

The public jobs strategy betrays the proclivity of liberals to view employment as just another benefit the dependent should receive from government. But workfare will not serve its moral and political purpose unless it is truly an obligation, rather than a right. It must emphasize real jobs in which the recipients are truly accountable for performance, most of which are in the private sector. ***Workfare must finally compel acceptance of all legal jobs, however menial they are.*** While training and government employment have a role in workfare, they must never obscure that reality.

The spending trap. There is a tendency for discussions of workfare to focus on its cost implications rather than its goals. Liberals say that reform is impossible unless government is willing to commit "resources" up front. While that it true, it is impolitic to lead with it. It sounds like the purpose of workfare is simply to spend more money on the poor. Rather, it is to demand greater activity on the part of the dependent, and especially to raise participation rates in work programs. Let us set that goal and then spend what is needed to reach it.

Equally, conservatives often suggest that the purpose of workfare is to save money. But it does not save much money in the short run, and the main impetus behind it is not economic at all. Middle-class social insurance benefits cost vastly more than welfare, yet are much less controversial. To stress savings is politically unwise, as it suggests that the purpose is only to reduce government's commitment to the poor. Rather, the agenda is political, to uphold social mores and advance social integration. That is a purpose for which the public is willing to spend *more* rather than less.

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[21] See, e.g., Mickey Kaus, "The Work Ethic State," The New Republic, July 7, 1986, pp. 22-33. Kaus says he prefers recipients to take private jobs, but all the enforcement in his scheme would be through public employment.

Overselling

American social programs tend to be enacted with great fanfare and little attention to the development needed to make them work right. Too much is expected too soon, and this undermines support for them in the long run. Specifically, there is:

Overpromising. Enthusiasts for workfare sometimes suggest that it would transform the nature of dependency overnight. But it can be instituted only slowly. Current programs must be extended from some to all cases in a state, and states without new programs must implement them. That would take several years at a minimum. Expectations of much higher work levels or large economic savings are bound to be disappointed in the short run.

Politicians and the public have to accept that workfare requires developing an *administrative system*. It involves *public authority* as much as spending money. The purpose is not mainly to deliver services to clients but to require that they do something in return. This second task is much tougher than the first, especially for the federal government, whose social programs typically have distributed benefits to people without requirements. Implementation requires new routines for local agencies and, more important, the development of voluntary compliance on the part of welfare clients.

Not by accident, the leading states in workfare, including California and West Virginia, have long histories of innovation in welfare employment. They are readier to deal with workfare than most other states. To institute the policy nationwide will require a long process of administrative development. That is a sobering prospect to politicians who need results to display by the next election.[22]

Neglect of implementation. Social programs tend to be legislated with inattention to how they will be carried out at the local level. Politicians naturally concentrate on defining the face of the program as it will appear to the recipient—the benefits and the eligibility rules—but this is not enough. One must also write rules for the administrators that will cause them to implement the program as designed. That involves the funding arrangements, other regulations, and reporting systems to allow Washington to follow what is happening at the local level.

Congress tends to leave too much of this to the bureaucracy. That allows client and provider groups to influence the implementation in ways that may not serve national ends. The essential targets for implementation should be written into the law. For workfare that means, above all, mandating specific participation levels by specific dates (see below).

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[22] Mead, Beyond Entitlement, pp. 135-44.

Doing too much--or too little. A related proclivity is to institute what look like promising new programs before enough is known about them. This means that mistakes are institutionalized which are then hard to correct. One example was Community Action, which was legislated after very little planning, antagonized many local officials, and never achieved its potential.[23]

Fortunately, in workfare we have two decades of experience to draw on. The period of experimentation ushered in by the 1981 reforms has been especially invaluable. States were left free to replace WIN with workfare or a number of other options with few federal restrictions. Their experience coupled with the MDRC evaluations give us a strong basis on which to approach national reforms. The Administration says, quite rightly, that nothing should be legislated that has not proved itself in local programs. A further argument for variation is that localities feel greater commitment to programs they have developed themselves.

However, the Administration also suggests that reform should mean little more than continued experimentation. That conclusion does not follow. Some things we already know work in workfare, and they should be mandated. Requirements for the dependent also raises issues too sensitive and important for some standards not to be set by Congress. It is time to begin reaping the harvest of what we have learned. To do less would disappoint the nation.

IV. AN OUTLINE FOR REFORM

The following are some things reform could and should do. Their purpose is to capitalize on what we have learned and to avoid the dangers above. I do not get into details, but reform should at least address each of these areas.[24] The first two are much the most important, as they determine the reach of work requirements.

Define more recipients as employable and hence subject to a work or training requirement. This is one of the keys to higher work levels. It means, above all, shortening the exemption from official employability that mothers now receive after childbearing. Lower the age of youngest child that exempts the mother from work requirements from the current 6 years to 3, the level that is now optional for states. Older mothers would go into work or training, but for teenage mothers, the requirement would normally be to stay in school through high school graduation.

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[23] Daniel P. Moynihan, Maximum Feasible Misunderstanding: Community Action in the War on Poverty (New York: Free Press, 1970).

[24] Much of the following is based on Mead, Beyond Entitlement, pp. 144-6, and "Work and Dependency, Part II," pp. 41-7.

I would also recommend that unwed mothers who go on welfare have no grace period. They would be subject to a work, education, or training obligation immediately, to underline that society endorses childbearing only within marriage. I am not sure, however, that such a distinction would be constitutional.

Raise participation levels among the employable. The participation rate means the share of the employable recipients engaged in required work-related effort, either work, training, or looking for work. The main reason that rate is low now is the excessive power of work program staffs over whom to obligate. Current rules say they have to work actively with only 15 percent of the employable clients to avoid federal fiscal sanctions. That level should be raised fairly quickly to 30 percent, then gradually to half or more. This is the key to changing the "work test" from a formality to a reality for the employable.

A concentration on the participation rate can also ease the political problem caused by lengthy implementation in workfare. Activity levels in the programs can be raised more quickly than economic impacts can be demonstrated. The public is quite ready to wait for lower welfare rolls if it is assured, year by year, that more and more of the dependent are doing something to help themselves.

Strenthen work programs' legal authority. The work requirement is best levied positively and informally, but the authority of work programs would be enhanced if their sanctions were strenthened. Currently, the penalty for noncooperation with the work requirement is only that the noncompliant adult's share of the welfare grant is ended. The rest of the grant continues, supporting the children and, indirectly, the noncooperator as well. I would cut off the entire grant. This may seem draconic, but it is what we already do for violations of work requirements in Food Stamps and Unemployment Insurance and for nonwork offences in AFDC.

Currently, most welfare mothers who meet work requirements arrange their own child care and prefer to do so. But current rules allow them to demand that the agency arrange the care, a route some use to postpone participation in work programs. I would shift the legal obligation to arrange care to the mother, unless she presents evidence that care is unavailable. Government would, however, pay for the care, as it does now.

Limit alternatives to work in available jobs. To be serious, work requirements have to stress work in existing private-sector jobs, even those (provided they are legal) that are menial or low-paid. Employable clients should be allowed to look for a job of their choice, but not indefinitely. They should eventually have to accept even lesser jobs in the private sector or, if necessary, a government job. This would be equivalent to Senator Moynihan's suggestion that assistance to families without requirements be time-limited, though I would set a shorter term than two years.

Limit training to those who can profit from it, and require them to demonstrate and maintain a work history as a condition of of eligibility. Require that trainees have worked prior to training, limit the length of training, and require graduates to work again before qualifying for further training. Only those who have shown elementary work discipline can succeed at training, and the experience of low-paid work will also motivate them to profit from it.

Limit the role of government jobs to enforcement for private-sector placement, except in areas with manifest job shortages. Such jobs must be carefully designed to assure that they were decent yet do not compete with available private jobs. I would confine them to entry-level positions paying the minimum wage. To receive higher wages or promotions, recipients would have to look to the private sector. They could of course switch to regular government jobs, but only by meeting the usual civil service requirements.

Develop a program for men. As mentioned above, men who abandon families and do not work regularly are a major cause of the welfare problem. Recent reforms in child support are designed to require more absent fathers to contribute to their families. But child support by itself does not assure that the fathers have earnings to contribute. Nor does it help the fathers succeed as breadwinners, so fewer of them will leave their families in the first place.

A way must be found to require that fathers work and, at the same time, help them earn more. The fathers are tougher to put under a work obligation than the mothers, because federal work tests can be levied only on those who receive federal benefits, and few of the fathers do. There are various ways the fathers might be given more support contingent on their working. Such a bargain would allow some of them to play the breadwinner role despite low skills, though many would still reject it.

One approach is to reform the Unemployed Parent part of AFDC (AFDC-UP), which at state options covers two-parent families if the father is unemployed. Rather than then *forbid* the father to work in UP, *require* him to work full-time as a condition of coverage. Welfare would then become a wage supplement for working families . The scheme would be different from past reform plans that proposed to cover the working poor in that definite employment would be required of the father, not only a search for work.

Another possibility is that work could be enforced through the child support system. While Washington cannot obligate men to work without giving them benefits, states can, and they could be required to do so as a condition of receiving AFDC matching grants. State laws would specify that, once served with a child support order, a father would have to enter a private or, if necessary, a public job in order to fulfill it, or face incarceration. A third option is to expand the Earned Income Tax Credit (EITC) to to give more subsidy to low-paid employment for men with families.

Pay attention to implementation. Phase in higher participation rates gradually. I would give states several years to reach the 30 percent level mentioned above, then raise the floor by five further points a year until the 50 percent level was reached. Then reassess to see whether the cost of services and placement would permit higher levels. Politically, there is no reason to hurry provided there is steady progress.

Obviously, all depends on how this and other performance measures are operationalized. The potential of evasion by local programs is great. The Department of Labor already has an elaborate reporting system for its employment programs, the Employment Security Automated Reporting System (ESARS). Its categories and routines must be carefully reviewed and revised to permit better monitoring of work enforcement.

Win and the Employment Service, the agency that usually performs job placement for WIN, were run until around 1980 under performance funding systems. These arrangements funded state programs, in part, according to how well they performed relative to other states in the previous time period. That approach had advantages over imposing fiscal penalties for nonperformance. Cuts in funding are less drastic and invidious and hence arouse less political opposition. While there should be penalties to enforce participation levels, performance funding should be reinstituted to promote other desirable outcomes in workfare, such as increasing the number of job entries by recipients and raising the wages they receive.[25]

Continue experimentation. While it is time to legislate tougher participation requirements nationwide, we have learned much from the post-1981 work programs, and innovation should continue. The Administration's plan for expanded experimentation has much to commend it, provided it supports, rather than supplants, the evolution of a national policy. Further experiments should satisfy the enhanced standards set out above, which express many of the "national goals" the Administration itself sets for them.[26] But states would be allowed to strengthen work requirements still further, or to vary other parameters.

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[25] For a discussion of the performance funding system formerly used in WIN, see John J. Mitchell et al., Implementing Welfare-Employment Programs: An Institutional Analysis of the Work Incentive (WIN) Program, U.S. Department of Labor R&D Monograph 78 (Washington, D.C.: U.S. Government Printing Office, 1980), pp. 19-36, 273-96.

[26] Domestic Policy Council, Low Income Opportunity Working Group, Up From Dependency: A New National Public Assistance Strategy, December 1986, pp. 81-5.

STATEMENT OF ROBERT REISCHAUER, BROOKINGS INSTITUTION, WASHINGTON, DC, TESTIFYING ON EXPANSION OF THE EARNED INCOME TAX CREDIT

Dr. **REISCHAUER**. Thank you, Mr. Chairman.

I have prepared a statement which I will submit for the record, and I will summarize that statement this morning.

This nation is on the verge of launching an ambitious program to make welfare recipients more self-sufficient, to substitute work for welfare. For this effort to be more than marginally successful, welfare recipients are going to have to perceive that it is in their best interests to participate.

Under the current system, this is often not the case. The reason for this is not that welfare benefits are too generous. As you well know, they are not. Rather, the major reason is that most welfare recipients can expect to earn very little from entering the labor force.

Over half of AFDC mothers don't have a high school diploma, and close to a third of them have no previous work experience. With little education and few skills, most recipients are relegated to low-wage jobs that offer few fringe benefits. These are jobs that don't pay enough to lift the family out of poverty.

A second reason why the earning prospects of welfare recipients are limited is that many find it difficult to work full-time throughout the year and still fulfill their family responsibilities. Over half of AFDC parents have two or more children to care for, and three-fifths of them have children who are under six years old.

With respect to work, welfare mothers face the same difficulties as other mothers. While a great deal of attention is focused on the rising labor force participation rate of women with small children, less attention has been paid to the fact that many of these women limit the number of hours that they work. Two-thirds of married women with children under six worked at some time during 1984; however, only one in four worked full-time throughout the year. The rest either worked part-time or worked part-year.

Unemployment is a third reason why the earnings prospects of AFDC recipients may be limited. Low-wage jobs employing low-skilled people tend to be relatively insecure even in the best of economic times.

Well, what can be done to give welfare recipients more of a financial incentive to work? The answer to this question I think lies in action on three fronts:

First, the overall economy needs to be strengthened to bring down the unemployment rate. As long as almost 7 percent of the labor force is unemployed and 14 percent of the women without high school diplomas are looking for work, welfare mothers are going to have a difficult time competing for the jobs that are available.

Second, we need to do all that we can to reduce the barriers that face AFDC mothers who are considering entering the labor force. This implies doing more to help welfare mothers with their child-care problems, and ensuring that they do not lose their health insurance when they enter the labor force.

The third front on which action is needed to increase work incentives is wage policy. We need to raise the earning potential of welfare mothers, to ensure that those who work are significantly better off than those who remain dependent. The ideal way to do this is to raise their productivity through increased education, training, and work experience. However, such policies take time and have proven difficult to do well.

While awaiting the results of these types of programs, more direct steps can be taken to boost the earning potential of these workers. One way to do this is through an expansion of the existing Earned Income Tax Credit. This credit acts like an earnings supplement for very low-income families with children. Because it is refundable, it can represent a strong inducement to get a low-wage, part-time job.

For example, an AFDC mother who takes a $4-an-hour job will receive from the EITC, as it was expanded in the 1986 Act, a bonus of 56 cents per hour for every hour she works up to about 1500 hours, which is about three-quarter time. However, as currently structured, the assistance provided by the EITC is smaller relative to the income needs of large families than it is for small families. This is the case because the credit does not vary by family size, although the amount needed to keep a family out of poverty does increase with the number of people in the family. Thus, a single mother with one child who earns just enough to reach the poverty threshold will get an EITC credit of $869 in 1988, but a mother of four children who earns just enough to reach the poverty level for a family of four will receive less than half that amount. For larger families, and by that I mean families of four or more persons, the EITC doesn't even offset the Social Security Tax that the worker with poverty-level earnings will have to pay.

If the EITC were modified to provide larger credits for families with greater needs, these inequities would be reduced, and the welfare-dependent population would have a stronger incentive to enter the labor force. A number of the groups who have been studying the welfare system have recommended such a policy.

One straightforward method of adjusting the EITC by family size would be to increase the credit rate according to the number of dependent children who are in the family. In my prepared statement I have described the plan that would increase the credit by 4 percentage points for each child. This modification would add about $250 per child to the maximum credit, and it would ensure that the EITC would offset the Social Security Taxes that the vast majority of poor families with children were required to pay. It would also increase the likelihood that a welfare mother with several children could earn enough from a wage, supplemented by the EITC, to leave the welfare system altogether.

In an efficient market economy such as ours, workers are paid according to their productivity, not according to the number of mouths they must feed. For those with positive tax liabilities, we rely on the personal-exemption provision of the Tax Code to ensure that families have more disposable income if they are large than if they are small. In 1988 the personal exemption will be worth about $292 per child for a family that pays a positive income tax. By adjusting the EITC by family size, this same principle can be extended to working parents who do not earn enough to have a positive federal income tax liability.

Thank you.

Senator **Moynihan**. Thank you, Dr. Reischauer.

Dr. Lerman?

[Dr. Reischauer's written prepared testimony follows:]

Testimony of

Robert D. Reischauer*
The Brookings Institution

before the

Subcommittee on Social Security and Family Policy

of the

Committee on Finance

U.S. Senate

February 23, 1987

During the past few years, a good deal of effort has been directed at making welfare recipients more self-sufficient. Work-welfare initiatives have proliferated; experimental or full-scale programs havebeen started in 39 states. Some of these programs offer modest job readiness and job search assistance while others are providing comprehensive education and training approaches, supplemented by supportive services such as day care and transportation assistance.

It is still too early to judge whether or not these efforts will markedly increase the number of welfare recipients who are able to work their way off of the welfare rolls. However, our expectations for these programs should be modest, because, in many cases, welfare recipients have little financial incentive to strive for independence.

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*The views expressed in this testimony are those of the author and should not be attributed to the trustees, officers, or other staff members of the Brookings Institution.

This lack of incentive does not arise because welfare benefits are so sumptuous. They are not. In no state does the combination of AFDC and food stamps support a family at or above poverty level; in the average state, these programs provide assistance for a family of three that amounts to less than three-quarters of the poverty threshold. Moreover, the adequacy of these benefits has eroded over the past decade. Between 1976 and 1986, the real value of AFDC and food stamp benefits to a family of three with no other income fell by 18 percent in the average state.

Instead, the major reason for the lack of incentive is the low level of income that most AFDC recipients can expect to earn from the jobs that are available to them. Over half of AFDC mothers do not have a high school diploma, close to one-third have no previous work experience, and the vast majority of those who have held a job worked in relatively unskilled occupations. With little education, few skills, and not much in the way of work experience, most recipients can only expect to secure low-wage jobs that offer few fringe benefits -- in other words, jobs that do not pay enough to lift a family out of poverty.

The experience of poorly-educated women who are currently working bears this out. In 1985, over half of the working women who lacked high school diplomas held jobs that, on a full-time, full-year basis, did not pay enough to support the median-size AFDC family of three above the poverty threshold. The earnings prospects for AFDC recipients are likely to be even bleaker than those of current workers because AFDC mothers have less in the way of experience and skills than the average current worker and, therefore, can not command as high a wage.

Low wages is not the only reason why the earnings prospects for welfare recipients are limited. Many may find it difficult to work full-time throughout the year and still fulfill their family responsibilities. Over half of AFDC parents have two or more children to care for; in three-fifths of the families the youngest child is a pre-schooler (under six). The neighborhoods in which many AFDC recipients live lack community facilities that provide constructive outlets for children; some are sufficiently dangerous environments so that a responsible parent may be reluctant to leave her children unsupervised after school. Day care, summer camp, after-school music lessons, the Girl and Boy Scouts, and other activities that middle-class families with working mothers rely on to substitute for parental care are often not available options for the low-income, single, working parent.

The fact that many AFDC mothers may not be able to work full-time throughout the year is not peculiar to this group. While a great deal of attention has been focused on the rising labor force participation rates of women with small children, less attention has been paid to the fact that many of these women limit the number of hours that they work. Two-thirds of married women with children under six worked at some time during 1984. However, a distinct minority of such women -- fewer than one in four -- worked full-time throughout the year. Some 27 percent worked fewer than 40 weeks during the year and 24 percent held part-time jobs. In total, close to two-thirds of working married women with small children did not work full-time throughout the year.

Unemployment is a third reason why the earnings prospects for AFDC recipients may be limited. Low-wage jobs employing unskilled labor tend to be relatively insecure even in the best of economic times. Many such jobs are in small firms which do not have the financial resources to withstand downturns in demand. Layoffs, therefore, are more frequent. In addition, in some low-wage jobs the workers face the choice of quitting or being fired if they must miss work for more than a few days. These jobs often do not offer paid sick leave or vacations. Once unemployed, the poorly-educated, unskilled worker is likely to have a difficult time finding a new job and may, therefore, remain unemployed for a long period of time. Women who have not completed high school experience three to four times as much unemployment as those who have attended college. The bottom line is that the welfare recipient who does find a job will be more likely than the average worker to experience some unemployment during the year.

If the nation expects the work-welfare initiatives to significantly increase self-sufficiency among welfare recipients, more must be done to ensure that there exist strong financial incentives to work. Those who work must be clearly better off than those who remain dependent. This will require action on three fronts.

First, the overall economy needs to be strengthened. As long as almost 7 percent of the labor force is unemployed and 14 percent of women without high school diplomas are looking for work, welfare mothers are going to have a difficult time competing for the jobs that are available. Much would be gained if the overall unemployment rate could be reduced. This would tighten up the low-skill labor market, making it easier for AFDC mothers to find and keep jobs. A tighter labor market would also push up the wages for low-skill jobs.

In a nation that has had a difficult time maintaining both high employment and low inflation, it is unlikely that we can rely on a healthy economy alone to provide strong financial incentives for welfare recipients to strive for self-sufficiency. A second way to strengthen these incentives is to reduce the barriers that AFDC mothers face when they consider entering the labor force. One impediment is the loss of the health insurance coverage that welfare recipients are provided through the Medicaid program. Many jobs available to an AFDC mother do not provide group health insurance. For example, in 1984 three-quarters of the women working in the service sector were not covered by an employer- or union-provided group health plan. Of women who worked full-time in jobs that paid less than $10,000 per year, 57 percent lacked job-related health insurance; 87 percent of women who worked part-time in such jobs did not have group health coverage. While those who lose their AFDC benefits because their earnings rise are covered by Medicaid for nine months, some may need more time to establish themselves in the labor force and find adequate and affordable health insurance.

Child care is a second impediment that can limit the participation of welfare mothers in the labor force. Several states have initiated work-welfare programs which have emphasized the provision of child care, but more will have to be done if there is to be a substantial increase in employment of welfare mothers. At the federal level, middle- and upper-class working mothers receive benefits through the tax code's child and dependent care credit. However, low-income working mothers have not received much help from this provision because few can afford paid child care and because the credit is limited and non-refundable. In 1983, less than one percent of the tax credit's benefits went to families with incomes below $10,000.

Under the provisions of the Tax Reform Act of 1986, families with incomes below roughly 110 percent of the poverty threshold will not be eligible for this tax credit because they will have no tax liabilities and the credit is not refundable. If the fraction of eligible child care expenditures were raised from 30 to 50 percent for those in the lowest income bracket and the credit were made refundable, AFDC mothers contemplating work could be helped with their child care expenses in a simple and non-intrusive way.

The third front on which action is needed to increase the work incentives for welfare recipients is wage policy. In high-benefit states, the earnings from a low-wage job may not be much more than the assistance that is offered by welfare. Few of these jobs are likely to keep a family from being poor. The earnings from a full-time, full-year minimum wage job are not enough to keep a mother with one child out of poverty. A mother with three children would have to earn more than $5.25 per hour to keep her family from being poor.

The ideal way to increase the earnings potential of AFDC mothers is to raise their productivity through increased education, training and work experience. Some of the state work-welfare initiatives take this approach. However, such policies take time, have proven difficult to do well, and often are not realistic for adults who are not highly motivated.

While awaiting the results of education and training programs, more direct steps can be taken to boost the earnings of these workers. One option is an hourly wage subsidy like that which Robert I. Lerman of Brandeis University has proposed.[1] Another is an expansion of the existing Earned Income Tax Credit (EITC). There are two advantages of relying on the EITC: first, it does not require the creation of a new and complex program structure; second, it offers a practical method of adjusting the earnings of low-income workers to reflect differences in family financial responsibilities.

When the modifications of the Tax Reform Act of 1986 are fully implemented in 1988, the EITC will provide families with dependent children a 14 percent credit on their earnings up to $6,210.[2] (See pages A-2 to A-11 for a description of the current EITC.) The maximum credit of $869 will be reduced by $0.10 for every dollar of income the family has over $9,780. Thus, families will receive a credit until their incomes exceed $18,470. If the credit is larger than the family's tax liability, the excess will be refunded to the taxpayer.

In effect, the EITC is an earnings supplement for very low-income families with children because such families do not have tax liabilities under the Tax Reform Act of 1986 and, therefore, will receive their EITC as a refund. It will be a strong inducement to those holding low-wage, part-time jobs, just the kind of jobs that many AFDC mothers may find most readily available. For example, an AFDC mother who takes a $4.00 per hour job will receive from the EITC an extra $0.56 per hour for each hour that she works up to 1552 hours a year; this is roughly three-quarters time.

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[1] Robert I. Lerman, "Separating Income Support from Income Supplementation", The Journal: The Institute for Socioeconomic Studies, Volume X, No. 3, Autumn 1985.

[2] All of the figures for 1988 are estimates based on assumed rates of inflation.

However, as currently structured, the assistance provided by the EITC is smaller relative to the income needs of large families than it is for small families. This is the case because the credit does not vary by family size although the amount needed to keep a family out of poverty rises as family size increases. Thus, a single mother with one child who earns just enough to reach the poverty threshold will get an EITC credit of $869 in 1988, while a mother of four who earns just enough to bring her family's income up to the poverty line will get a credit of less than half that amount. For larger families with poverty-level earnings, the EITC does not even offset the social security taxes the worker must pay (see pages A-4 to A-7).

If the EITC were modified to provide larger credits for families with greater needs, these inequities would be reduced, the tax system would be more effective at reducing poverty among the working population, and the welfare-dependent population would have a stronger incentive to enter the labor force. A number of the study commissions and task forces which have examined the shortcomings of the current welfare system have supported a family size adjustment to the EITC (see page A-1).

One straightforward method of adjusting the EITC by family size would be to increase the credit rate according to the number of dependent children in the family. The current rate of 14 percent could be maintained for families with one child, and four percentage points could be added for each additional child. Thus, a family with two children would receive a credit of 18 percent; a family with 3 children a credit of 22 percent; and a family of four or more children a credit of 26 percent (see pages A-12 to A-21 for a description of this alternative).

This modification would add roughly $250 per child to the maximum credit that a family could receive. It would ensure that, for virtually all, the EITC would offset the social security taxes that poor families with children were required to pay. It would also substantially increase the likelihood that a welfare mother with several children could earn enough from a wage, supplemented by the EITC, to leave the welfare system.

In an efficient market economy such as ours, workers are paid according to their productivity, not according to the numbers of mouths they must feed. For those with positive tax liabilities, we rely on the personal exemption provision in the tax code to ensure that large families have more disposable income than small families with equal pre-tax incomes. In 1988, this exemption will be worth $292.50 per child for most families. A family with two children will pay $292.50 less in federal taxes and, therefore, have that much more income to spend on food, clothing, and other necessities than the family who earns the same income but has only one child. By adjusting the EITC by family size, this same principal can be extended to working parents who do not earn enough to owe federal income taxes.

Such a reform would help the millions of working poor in the nation. It would also provide a greater incentive for welfare recipients to work. When combined with strong economic growth and a reduction in the employment barriers facing welfare recipients, an enhanced EITC could help to ensure that the nation's effort to substitute work for welfare succeeds.

RECENT SUPPORT FOR VARYING THE EITC BY FAMILY SIZE

"We also recommend that the EITC be amended to increase credits for larger numbers of children."

"One Child in Four," The American
Public Welfare Association, 1986.

"We should go beyond the assistance provided to the working poor in the Tax Reform Act of 1986. We should provide further tax relief to the working poor by varying the Earned Income Tax Credit by family size and by assuring that the ratio of the tax threshold to median family income be at least kept constant over time."

"Ladders Out Of Poverty," The Project
on the Welfare of Families, 1986.
(Bruce Babbitt and Arthur Fleming,
Co-chairs)

"We also propose that the EITC vary by family size. Under the new tax law, the maximum credit a family can claim is raised to $800 by 1988 and would be phased out for workers earnings between $9,000 and $17,000. While this is an important step, it does not respond adequately to the needs of working poor families, especially large families.

Varying the EITC by family size would approximate a children's allowance for low-income families. Every industrialized country except the United States recognizes the importance of children through some sort of universal child allowance. Using the Earned Income Tax Credit to increased the earned income available to working-poor and near-poor families will bolster the efforts by parents to support their children through work."

"A New Social Contract," Task Force on
Poverty and Welfare, State of New
York, 1986. (Submitted to Governor
Mario M. Cuomo)

"The EITC could be modified by introducing a "per child" factor. For example, if an eligible family has three children, the amount of income on which they could earn the credit would increase accordingly."

"The Family: Preserving America's
Future," White House Working Group
on the Family, 1986.

EITC UNDER THE TAX REFORM ACT OF 1986

1) Credit of 14 percent of earnings up to $6,210.[a]

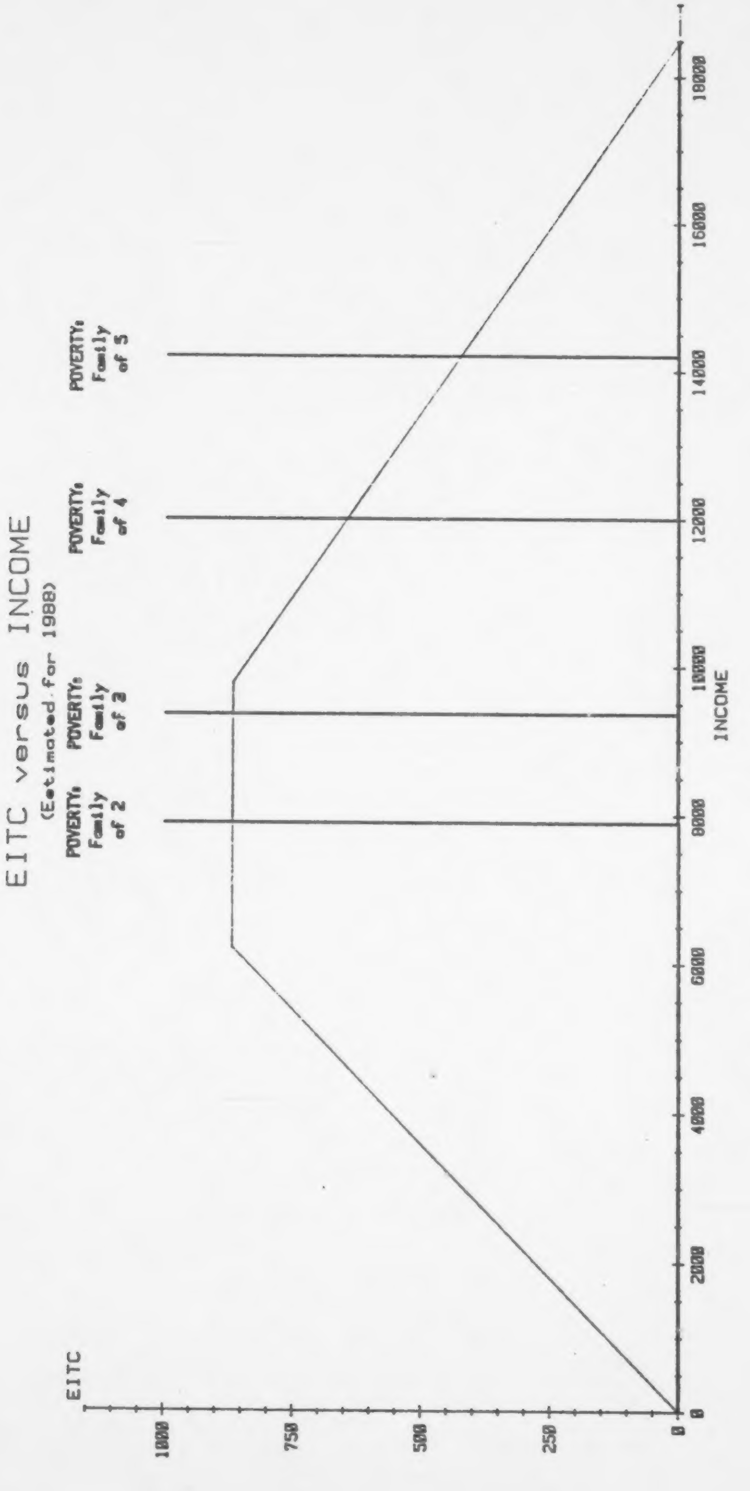
2) Maximum credit of $869 for those with earnings of $6,210 to $9,780 and total income not exceeding $9,780.

3) Reduction of credit by $1 for every $10 of total income over $9,780. No credit for those with incomes over $18,470.

4) Credit refundable for those whose credit exceeds their income tax liability.

5) Available only to those with earned income and a dependent child.

[a] All figures are estimates for 1988.


EITC versus INCOME
(Estimated for 1988)
EITC
1000
750
500
250
0
INCOME
0
2000
4000
6000
8000
10000
12000
14000
16000
18000
POVERTY: Family of 2
POVERTY: Family of 3
POVERTY: Family of 4
POVERTY: Family of 5

Current Law

EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT THE POVERTY THRESHOLD, BY FAMILY SIZE

(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a % of Poverty Threshold
1	7,895	869.00	592.91	8,171.09	103.5
2	9,360	869.00	702.94	9,526.06	101.8
3	11,998	647.20	901.05	11,744.15	97.9
4	14,202	426.80	1,066.57	13,562.23	95.5

---

(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(4) (1) + (2) - (3)

(5) (4)/(1)

(B) MARRIED COUPLE

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a % of Poverty Threshold
1	9,360	869.00	702.94	9,526.06	101.8
2	11,998	647.20	901.05	11,744.15	97.9
3	14,202	426.80	1,066.57	13,562.23	95.5
4	16,045	242.50	1,204.98	15,082.52	94.0

(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

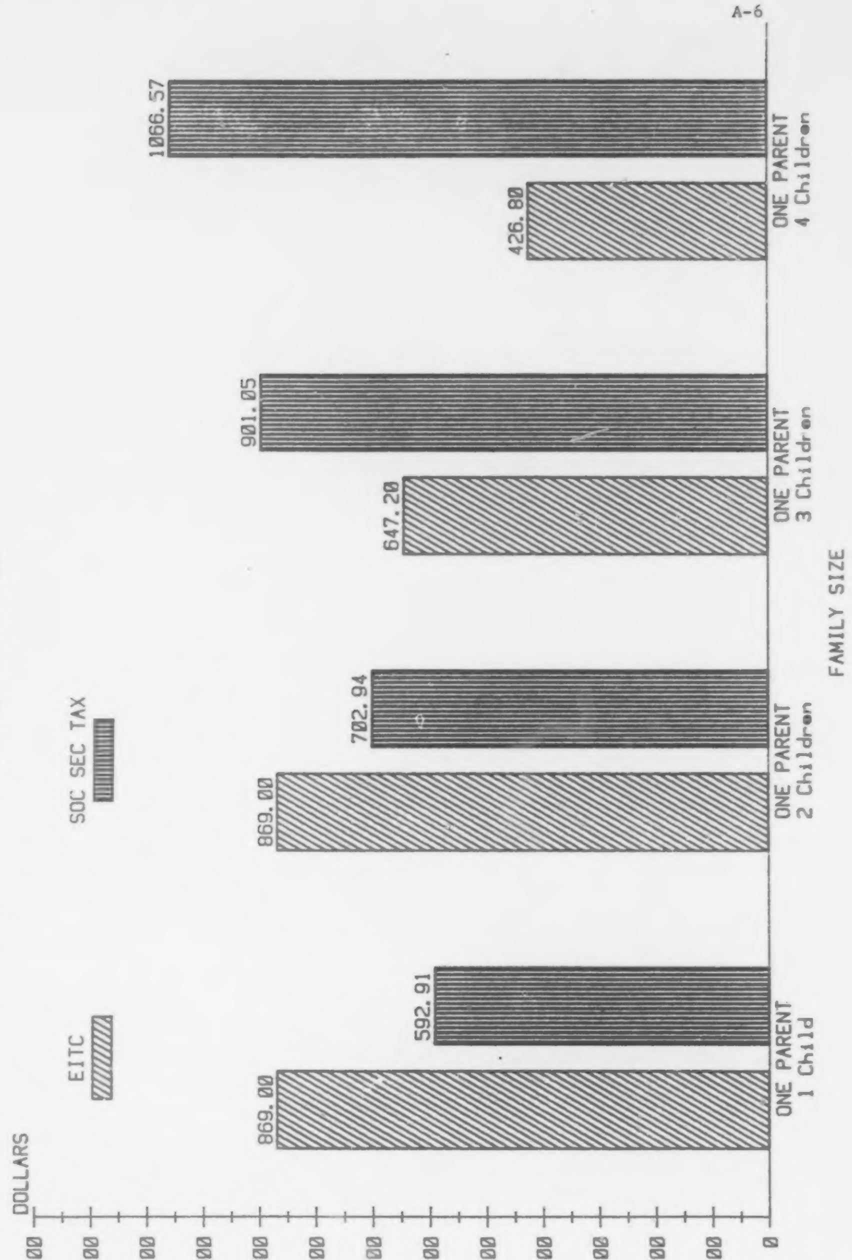
(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(4) (1) + (2) - (3)

(5) (4)/(1)

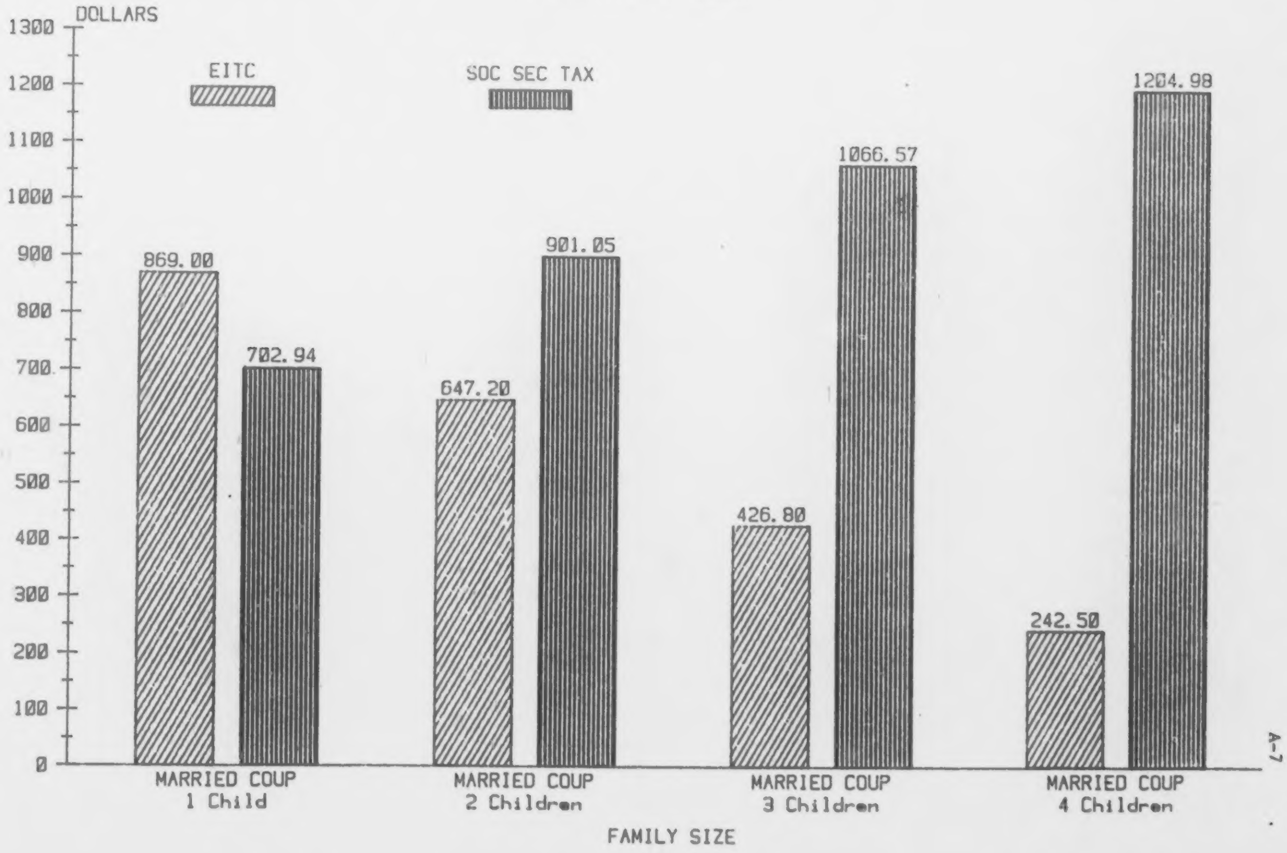
EARNED INCOME TAX CREDIT versus SOCIAL SECURITY TAX
at the Poverty Level, by family size: Single Parent Families
(Estimated for 1988)



EARNED INCOME TAX CREDIT versus SOCIAL SECURITY TAX

at the Poverty Level - Married Couple Families

(Estimated for 1988)



Current Law

EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT 125 PERCENT OF THE POVERTY THRESHOLD, BY FAMILY SIZE

(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	9,869	860.10	741.16	235.35	9,752.59	123.5
2	11,700	677.00	878.67	217.50	11,280.83	120.5
3	14,998	347.20	1,126.35	419.70	13,799.15	115.0
4	17,753	71.70	1,333.25	540.45	15,951.00	112.3

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

(6) (4)/Poverty Threshold

(B) MARRIED COUPLE

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	11,700	677.00	878.67	127.50	11,370.83	121.5
2	14,998	347.20	1,125.35	329.70	13,889.15	115.8
3	17,753	71.70	1,333.25	450.45	16,041.00	112.9
4	20,056	0	1,506.21	503.40	18,046.39	112.5

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

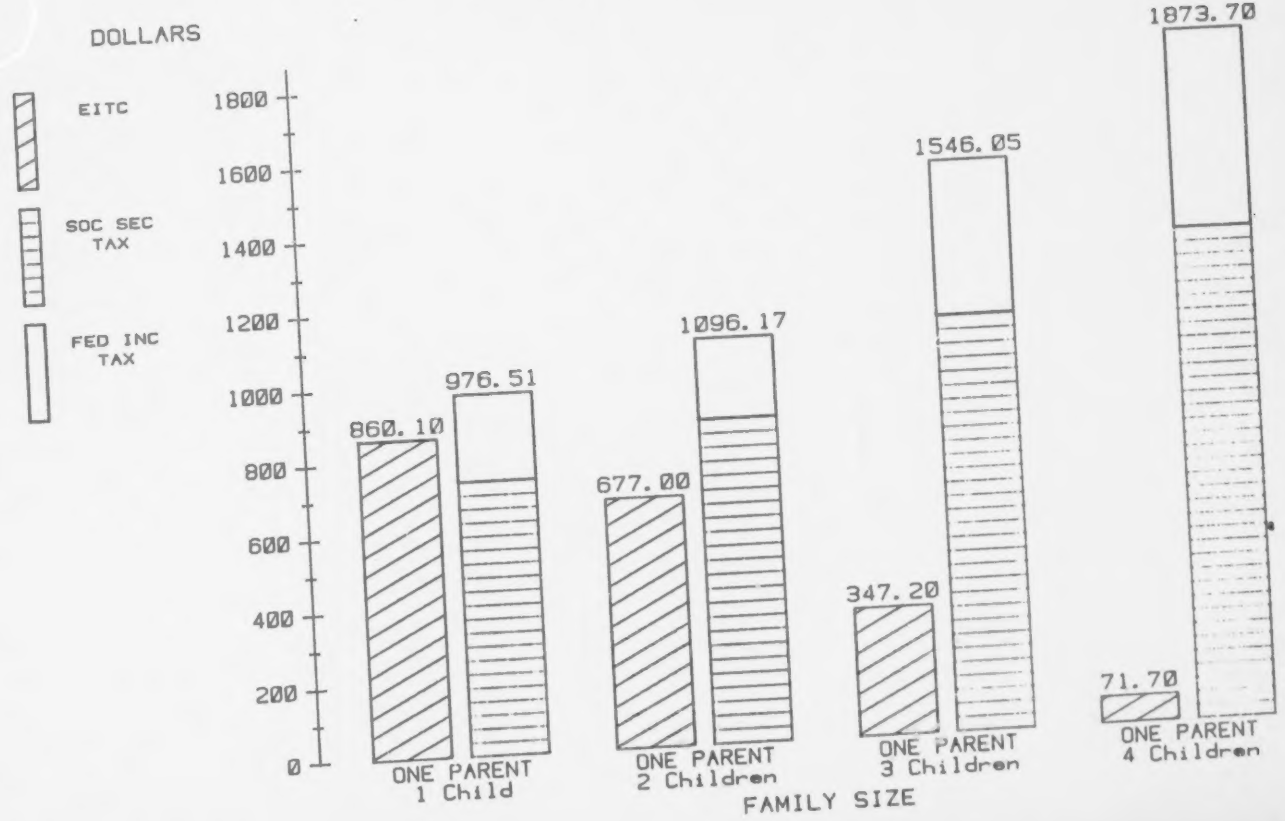
(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

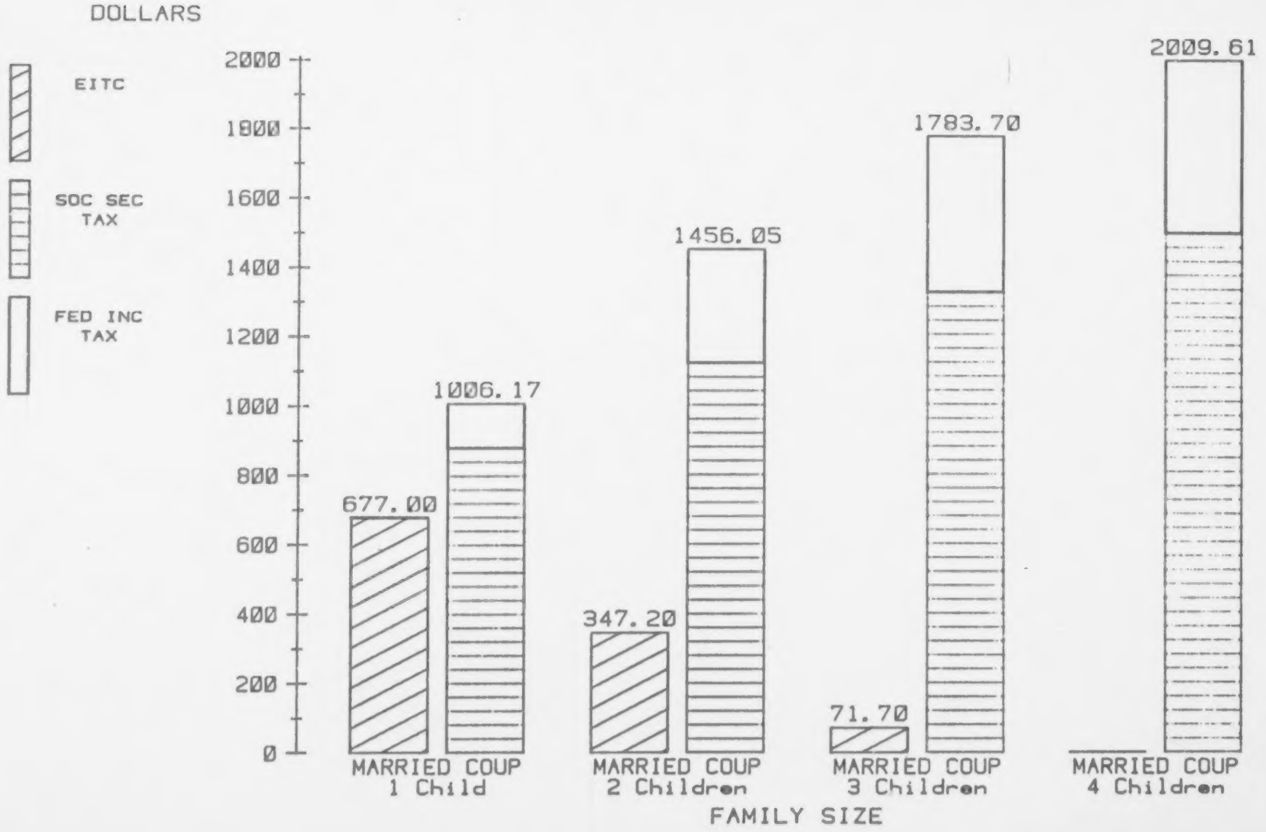
(6) (4)/Poverty Theshold

EARNED INCOME TAX CREDIT vs SOC SEC. FED INC TAX
at 125 percent of Poverty, by family size:
Single Parent Families (Estimated for 1988)



A-10

EARNED INCOME TAX CREDIT vs SOC SEC. FED INC TAX
at 125 percent of Poverty, by family size:
Married Couple Families (Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC

1) Variable percentage credit for earnings up to $6,210.[a]
   - 14 percent for 1 dependent child
   - 18 percent for 2 dependent children
   - 22 percent for 3 dependent children
   - 26 percent for 4 dependent children

2) For those with earnings between $6,210 and $9,780 and total income not exceeding $9,780, a maximum credit of:
   - $869 for families with 1 dependent child
   - $1,118 for families with 2 dependent children
   - $1,366 for families with 3 dependent children
   - $1,615 for families with 4 dependent children

3) Reduction of credit by $1 for every $10 of total income over $9,780. Credit would be totally phased out at incomes of:
   - $18,470 for families with 1 dependent child
   - $20,960 for families with 2 dependent children
   - $23,440 for families with 3 dependent children
   - $25,930 for families with 4 dependent children

4) Credit refundable for those whose credit exceeds their income tax liability.

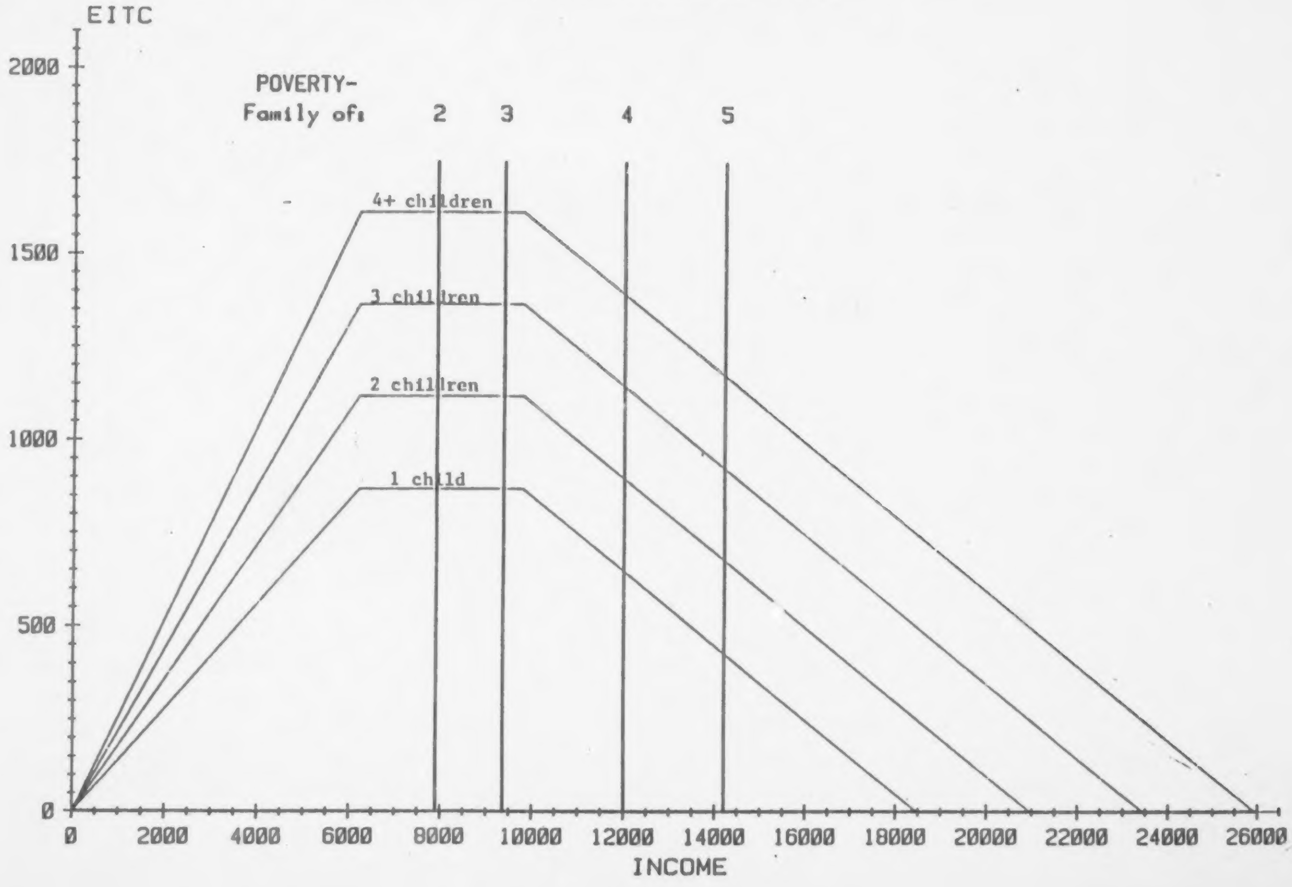
5) Available only to those with earned income and a dependent child.

[a] All figures are estimates for 1988.

A-13

FAMLILY SIZE-ADJUSTED EITC versus INCOME

(Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT THE POVERTY THRESHOLD, BY FAMILY SIZE
(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a % of Poverty Threshold
1	7,895	869.00	592.91	8,171.09	103.5
2	9,360	1,117.80	702.94	9,774.86	104.4
3	11,998	1,144.40	901.05	12,241.30	102.0
4	14,202	1,173.40	1,066.57	14,308.83	100.7

(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(4) (1) + (2) - (3)

(5) (4)/(1)

(B) MARRIED COUPLE

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a % of Poverty Threshold
1	9,360	869.00	702.94	9,526.06	101.8
2	11,998	896.00	901.05	11,992.95	100.0
3	14,202	924.00	1,066.57	14,059.43	99.0
4	16,045	988.10	1,204.98	15,828.12	98.6

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(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

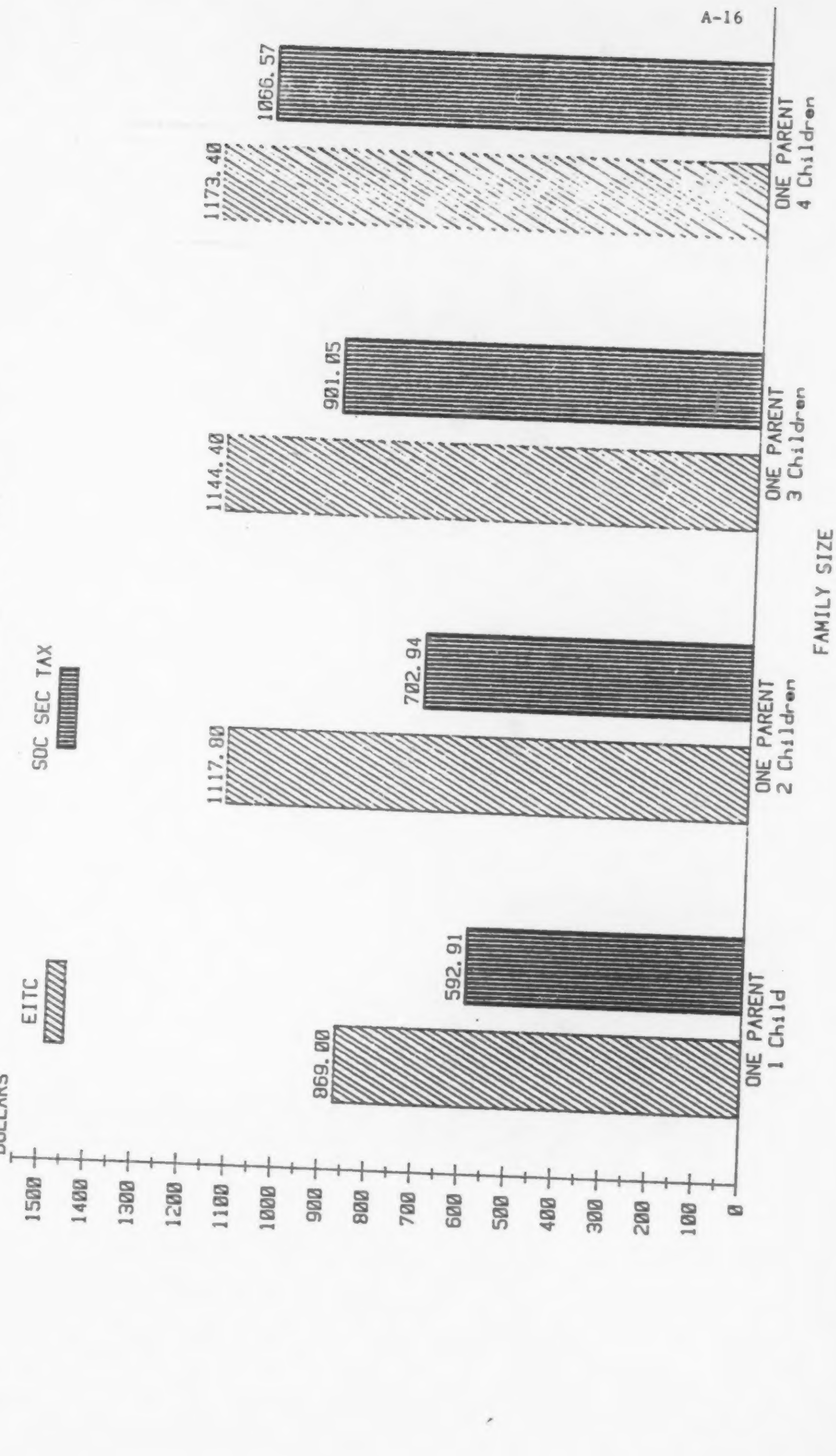
(4) (1) + (2) - (3)

(5) (4)/(1)

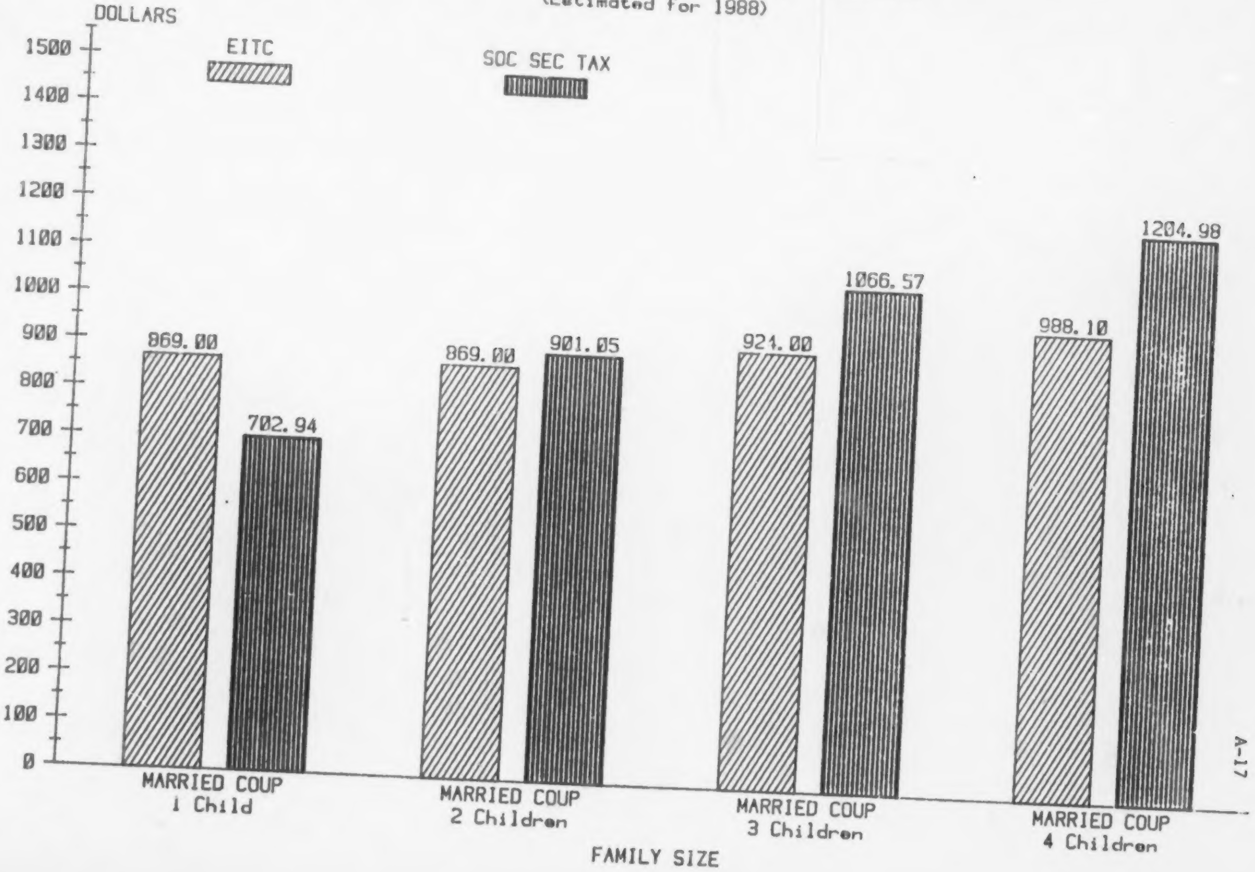
FAMILY SIZE-ADJUSTED EITC versus SOCIAL SECURITY TAX

at the POVERTY LEVEL - Single Parent Families

(Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC versus SOCIAL SECURITY TAX
at the POVERTY LEVEL - Married Couple Families
(Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT 125 PERCENT OF THE POVERTY THRESHOLD, BY FAMILY SIZE
(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	9,869	860.10	741.16	235.35	9,752.59	123.5
2	11,700	925.80	878.67	217.50	11,529.63	123.2
3	14,998	844.40	1,126.35	419.70	14,296.35	119.2
4	17,753	817.30	1,333.25	540.45	16,696.60	117.6

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

(6) (4)/Poverty Threshold

(B) MARRIED COUPLE

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	11,700	677.00	878.67	127.50	11,370.83	121.5
2	14,998	596.00	1,126.35	329.70	14,137.95	117.8
3	17,753	568.90	1,333.25	450.45	16,538.20	116.4
4	20,056	587.00	1,506.21	503.40	18,633.39	116.1

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

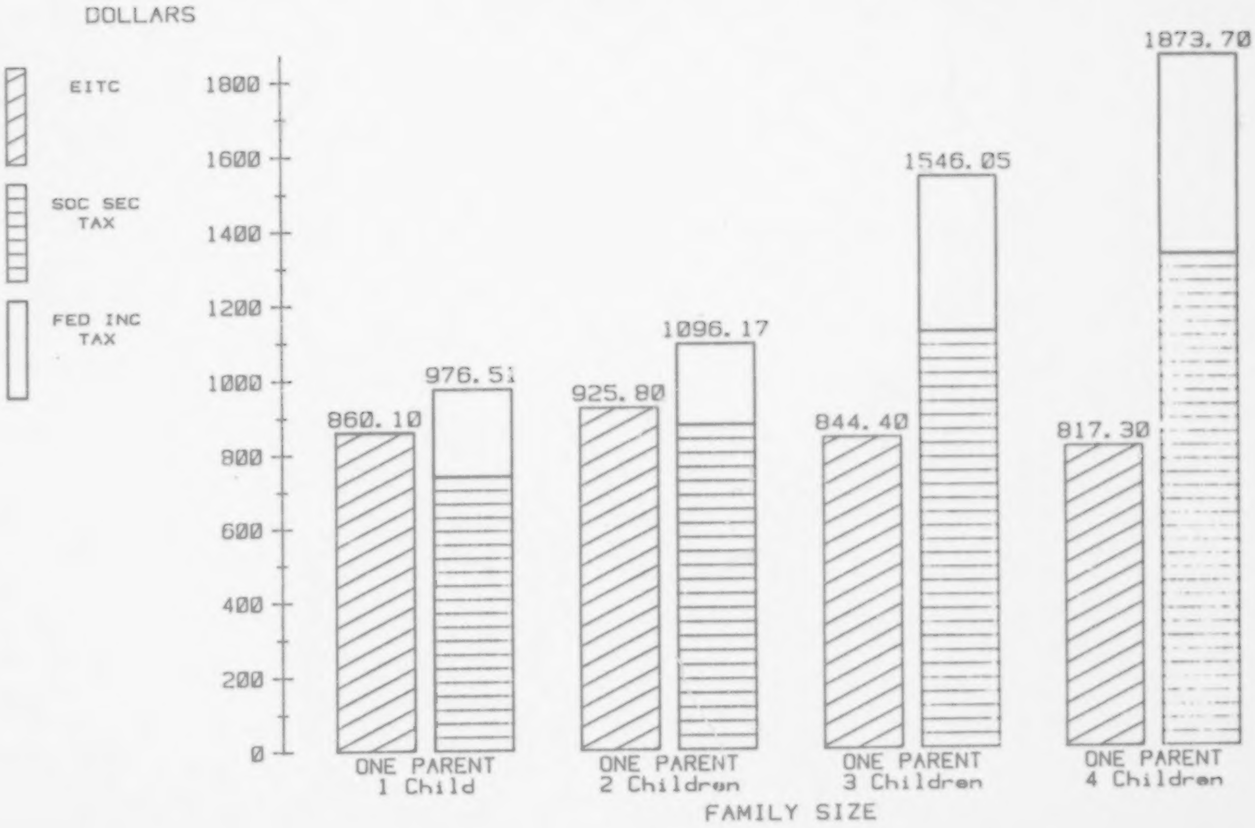
(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

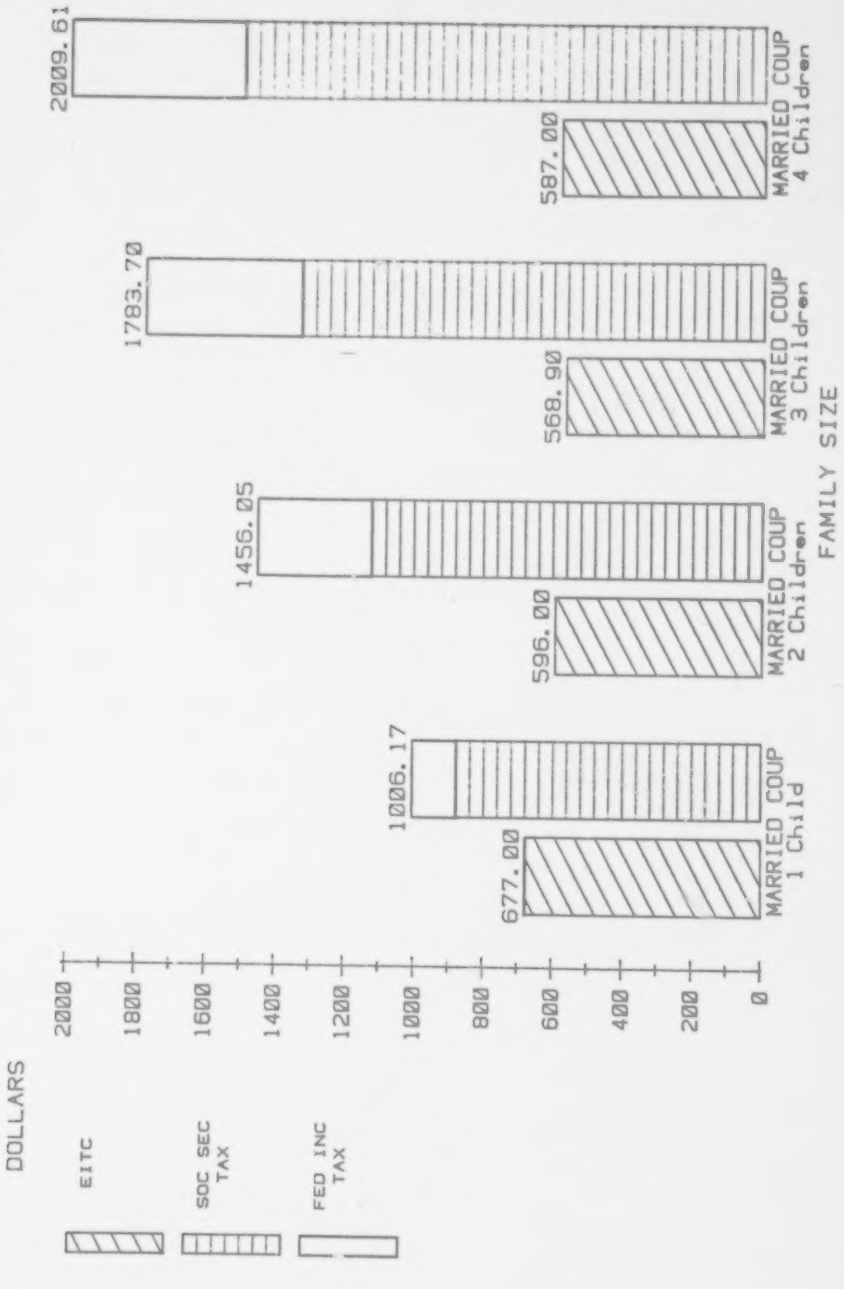
(6) (4)/Poverty Theshold

FAMILY SIZE-ADJUSTED EITC vs SOC SEC, FED INC TAX
at 125 percent of Poverty, by family size:
Single Parent Families (Estimated for 1988)



A-21

FAMILY SIZE-ADJUSTED EITC vs SOC SEC. FED INC TAX
at 125 percent of Poverty, by family size:
Married Couple Families (Estimated for 1988)



STATEMENT OF ROBERT LERMAN, PROFESSOR, CENTER FOR HUMAN RESOURCES, HELLER SCHOOL, BRANDEIS UNIVERSITY, WALTHAM, MA, TESTIFYING ON WAGE SUBSIDY

Professor **LERMAN**. Thank you.

It is a real pleasure to be here today, and especially to interact with members of a committee that is very interested in these issues.

I am especially pleased that Bob Reischauer has helped me shorten my testimony. I would like to put this in the record.

Senator **MOYNIHAN**. It will be in the record.

Professor **LERMAN**. Because he pointed out the importance of the fact that even with success in encouraging women on welfare to work, we have two problems, one of which Senator Moynihan mentioned the other night on the McNeil-Lehrer Report, that many children are poor and don't touch the welfare system; and, secondly, that those welfare recipients that do go to work—as I have shown in a graph at the end of the testimony—don't reach the poverty line even if they are able to work full-time, year-round at $4 an hour. If they have child care expenses, they can't get above poverty even at $6 an hour. These are realistic wages that we can expect people to have, and therefore we want to build a system in which, realistically, people can be off welfare and above poverty.

Now, how do you do that? Well, in my view, I think you need a bridge system which would operate in the short run until we have all these successful education and training initiatives that really raise greatly the earnings capacities of low-income family heads.

For the foreseeable future we know that that won't be the case; there will be large numbers of families that will have to exist on quite low wages. And what we want to do is have a system where they don't have to resort to programs providing aid in the form of charity. Many of our programs now do. We know that, when they do, a lot of people don't even take up the benefits in participation in food stamps—by two parent families it is quite low, even among people who are income-eligible.

So, what we need is a bridge system outside of welfare, mainstream kinds of programs, that provide a way for people who are earning realistic wages to bring their families above poverty.

Now, what is that system? I have developed one set of components, other people can develop others. I am going to mention mine. But one principle I want to mention in developing this bridge system is that we don't try to rely on any one component to do everything, that we try to utilize small changes, incremental changes, that together amount to a major change, that together greatly reduce the exit points from welfare, that together greatly increase support for low-income families outside welfare.

Well, the five components I recommend are these:

First, is a child-support assurance program, something like the Wisconsin model that I believe the committee has heard about. States would insure that custodial parents receive at least some minimum amount from non-custodial parents. Otherwise, the states would have to pay the custodial parent a basic amount, say $90 a month per child.

What I think you need to do in developing this program is, again, not try to do everything with it. You should say that if states collect what 90 percent of fathers can realistically pay, the state liability is zero. You want to set that insured benefit low enough so that, if they collect what 80 to 90 percent of fathers realistically would pay, the benefit would be zero. Then it is clear that if the state does not collect it, it shouldn't be the fault of the custodial parent, usually the mother. So that is why I would like to have that benefit small.

The second component would be to replace the current personal exemptions, of about $2000 coming in 1988, with a child tax credit, a refundable tax credit. This would provide my way of varying benefits by family size. I would like to see one of about $600 per year, which is about $50 per month per child.

The third component would be a wage-rate subsidy, which I do prefer over the Earned Income Tax Credit, which would pay half the difference between some target wage—let us say $7 an hour—and a family head's actual wage. Let us say the family head's best wage is $4 an hour. Well, that family head would get half the difference between $7 and $4. Half the difference would be $1.50, and that would be a very substantial increase in their earned income. I don't think you can do it through the Earned Income Credit, but maybe we can. We will see.

The fourth component—all these three components together, just these three limited components: the child support assurance, the tax credit, the small one, and the wage-rate subsidy—would greatly lower the exit points from welfare. But as you know, that won't do much good if you don't have something in the health area. Now, for that, I propose the following:

That we have states develop state insurance programs where states first ask providers, like employers do, to bid, to offer themselves programs. States would choose from among these programs, and if you were on welfare you would choose either an insurance company's program or an HMO, something like an employer does.

Then with people who were out in the work force, or welfare recipients that go out in the work force, they would be able to buy into these programs at greatly reduced rates. I would finance this by charging employers who do not provide health insurance now a payroll tax, as a contribution to that system. This would be a more viable system in the long run than just saying that for the first year that you are outside welfare you get Medicaid. That doesn't do anything for the second year; that doesn't do anything for all the working people we know now who are uninsured.

And then, finally, with these four components we then have a greatly reduced—or a possibility a reduced welfare caseload. Once that is done, then I think you have a much better chance to have great success with these employment and training initiatives.

I will just close there. I'm sorry to go over.

[Professor Lerman's written testimony and a letter to Senator Moynihan follows:]

Helping the Poor Outside the Welfare System: A Proposal for Restructuring Antipoverty Policy

Presented by:

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Heller Graduate School of Social Welfare
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Testimony Prepared for:

Subcommittee on Social Security and Family Policy
Senate Finance Committee
February 23, 1987

Mr. Chairman and Members of the Committee, addressing this committee is a genuine honor for me. I am grateful to have a chance to present my ideas for reshaping our nation's income support system directly to the Senators most responsible for dealing with antipoverty and welfare policies. It is a special privilege to interact with Chairman Moynihan, whose wisdom and knowledge of these issues are only surmounted by his longstanding interest in relieving and preventing poverty.

In my view, we now have an opportunity to build a new strategy for helping the poor while reducing dependency on welfare programs. The key to the new approach is to develop a bridge system that can help low income families (including mother-headed families) live decently outside the welfare system, even if they cannot earn high wages. Working families should not have to resort to programs providing aid in the form of charity; they should not have to admit (to themselves or to others) that they receive benefits to compensate for their inability to support their families. Unfortunately, the current system's means-tested programs--AFDC, food stamps, public housing, and medicaid--make abundantly clear to recipients that their benefits depend almost entirely on their own inadequate earnings.

Although several current proposals move in the right directions, they still rely too much on welfare programs and do little or nothing to help poor families not on welfare. They encourage mothers to work, but fail to recognize that working most of the year at available wages would leave most mothers on welfare and below poverty. The proposals do not offer solutions to the problems of inadequate health coverage for the current working poor and for welfare recipients who stay off welfare for several years.

Consider a mother trying to move off AFDC and into the mainstream system of work. Suppose the employment and training programs succeeded in helping her obtain a job for two-thirds of the year at $5 per hour. In most states, even if the mother worked steadily at this job, her family would still be on welfare and have to live on an income that was well below the poverty line.[1] If her job did not provide health insurance, she would either have to limit her family's access to medical services or spend a large share of her income on health insurance.

There is a better way. It is time to reorient the system away from means-testing and toward mainstream alternatives to welfare. As others have emphasized, we should insist that low income adults have the responsibility to work and to support their children. In return, we should make sure that parents who work and obtain child support at realistic levels can achieve a decent living standard for their families without resorting to welfare programs. In building such a system, we must guard against unrealistic expectations and the tendency to believe that any single program can accomplish our main goals. You have already heard proposals for child support and employment initiatives. While these components play some role in the new strategy, they cannot carry the entire load.

The best approach is to make several modest and incremental changes that together add up to a fundamental shift away from welfare.

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[1] Take the example of a mother with two children, working 110 hours per month at $5 per hour in a state with a benefit level of $400 per month. After one year, the mother can deduct from countable income only $75 as a standard deduction and $160 per child for child care payments. Thus, her countable income would equal $387, ($550 in earnings, plus $72 as EITC payments, minus $75 and $160 in AFDC deductions) which is less than the $400 AFDC benefit.

I propose a structure based on the following components:

1. A Child Support Assurance Program
2. A Wage Rate Subsidy Program for Family Heads
3. A Refundable Child Tax Credit
4. State Health Insurance Programs to Replace and Supplement Medicaid
5. Enhanced Training for Those Remaining on Welfare

The Individual Program Components

1.0 The Child Support Assurance Program

Under the Child Support Assurance Program, states would insure that custodial parents received at least some minimum amount from non-custodial parents. Otherwise, states would have to pav custodial parents a basic amount, say $90 per month per child, less any payments collected from the absent parent. While this program resembles AFDC, especially now that states have expanded child support collections, there are important differences. Mothers heading families would be able to retain their entire payment even if they earned other income. (Those earning beyond $15,000 would have to pay tax on the payments.) Perhaps as important, these mothers and the general public would clearly see that the benefits were the result of nonpaying fathers and weak state administration rather than the family's poverty and inability or unwillingness to work. States would only have to collect $20-$25 per week to avoid spending on this program.

You have already heard about Wisconsin's effort to operate a Child Support Assurance System (CSAS). While I applaud this initiative, I believe the Wisconsin assured benefit has been set too high relative to the amounts that the state should be expected to collect from absent fathers.[2] If the CSAS is to represent something distinct from welfare, then the assured benefit provided by states should be no higher than what 80-90 percent of fathers could realistically pay. Assuming that states should be able to claim 20-25 percent of earnings of absent fathers, the assured benefit should probably be set no higher than $100 per month per child.

2.0 The Refundable Child Tax Credit

The second component of the bridge system would be a refundable child tax credit set at $600 per year per child. The credit would replace the $2,000 personal exemption for children effective in 1988 and would thus involve only minimal net revenue costs. This incremental change in the tax code could effectively target benefits on low income families fairly and without stigma or serious incentive effects. Avoiding such "horror stories" as having credits going to a few wealthy families could be easily accomplished by disallowing the credits for those who itemize deductions. For those still on AFDC, the credits would have zero net costs since they would count against AFDC benefits on a dollar for dollar basis. The earned income tax credit has already broken the precedent against making credits refundable.

3.0 The Wage Rate Subsidy

The third component would be a generous wage rate subsidy or an enriched the Earned Income Tax Credit (EITC). I favor replacing the EITC with a wage rate subsidy for principal earners in families with children. Here is how the subsidy would work. Adults in families with children with the highest earnings in the prior quarter would qualify for a subsidy payment for each hour worked. The payment would equal half the difference between $7 per hour and the worker's wage. Consider a mother heading a family and working at $4 per hour. She would receive a wage subsidy of $1.50 per hour (one-half of $7 minus $4), thus increasing her take-home wage by nearly 40 percent, to $5.50. If she worked at a $5 per hour job, her subsidy would be $1 per hour and her take-home wage would be $6 per hour. The wage subsidy would reward work substantially for those with the lowest earnings capacities, those whose best job is a low wage job. Workers would view the supplements as appropriate compensation for family heads trying to make ends meet by working long hours at unappealing jobs. The cost need not be excessive so long as the program restricted eligibility to the primary earner (the person earning the most during the prior six months) in families with children.

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[2] The Wisconsin CSAS provides for an assured benefit of $3000 per year for the first child. The guidelines to the judge specify that noncustodial fathers pay 17 percent of their income for the first child. Given these numbers, fathers would have to earn $17,647 per year for the state to have no liability. This is about the median earnings level for all male workers. Thus, a substantial share of absent fathers are likely to earn less than this amount.

The wage rate subsidy has advantages over expanding the EITC. With the wage subsidy, we can provide large work-related benefits without worrying about extending government payments to middle income families. A full-year worker earning $4 per hour could receive $3000. Were we to attempt to transfer such amounts through the EITC, we would have to phase out the benefit at high tax rates or pay subsidies to middle income earners.[3] A second advantage of the wage subsidy is that it insures that benefits go to those willing to work at low wages. EITC payments may go to moderate and high wage workers who do not work steadily.

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[3] Suppose that the EITC paid a maximum of $3,000 to families with $8,000 in earnings. Then, we would have to phase out the subsidy at a 25 percent tax rate to limit the benefit to families with incomes of $20,000 or less. This would raise marginal tax rates over the $8,000 to $20,000 range to 40 percent. Lowering the phase out rate would extend EITC payments to families with incomes above $20,000.

4.0 State Medical Insurance Programs

The combination of the refundable tax credit, the wage rate subsidy, and the child support assurance program would minimize the role of AFDC and food stamps. But the shift away from welfare programs might not work unless we alter the method of financing medical care for the poor. It would be no great favor to keep mothers heading families off AFDC if the result was to eliminate their eligibility for medical insurance. Unfortunately, existing proposals for extending medicaid during the first year after families leave AFDC deal with problem only temporarily and do not touch working poor families who stay away from AFDC altogether.

I propose a comprehensive, but incremental approach of substituting state medical insurance programs for medicaid. As employers do now, states would choose to finance health coverage through a variety of providers after receiving bids from insurance companies and HMO's. Like employees, welfare recipients would choose from among these insurers or providers. As under medicaid, states would pay the full premiums for these recipients. Nonwelfare family heads who lack health coverage through an employer would be able to buy into the program at highly subsidized rates. To finance the subsidies, states could tax those employers who do not currently provide health insurance. This approach has the advantage of destigmatizing medical coverage and providing for a smooth transition from welfare to work.

Requiring contributions from employers not offering group health insurance would be fair and efficient compared to alternative ways to broaden coverage. For example, if the government mandated that all employers had to offer health insurance to all workers, many small employers would face a high administrative burden in order to extend coverage mostly to secondary workers--youth and spouses--who already have coverage under the family head's policy. By allowing employers to make payments into a state fund, the government would minimize the administrative burden and the dual coverage. At the same time, the policy would have the appeal of fairness by requiring that all employers bear some of the burden of health coverage. It would eliminate the current inequity in which employers who already provide health insurance for their own employees sometimes have to pay higher insurance rates to help support coverage for the uninsured.

5.0 Job Search, Employment and Training for Remaining Welfare Recipients

The combination of the child support assurance program, the refundable tax credit, the wage rate subsidy, and the state medical insurance programs would minimize the role of AFDC, food stamps, and medicaid. For a mother and two children, the maximum credit and child support assurance payments would equal $300 per month. These two amounts alone would well exceed AFDC levels in 12-16 states. In the other states, even a moderate amount of earnings would move people off welfare. Mothers able to work half time at the $4 per hour would be off welfare in most states and have a total income of over $750 per month.

With the bridge system in place, welfare caseloads will decline, perhaps substantially, thereby allowing the work and training programs to focus on the group most in need of services. The employment programs would not have to impose any special targeting requirements in order to concentrate on those in most need of services. Further, the program's could achieve success in moving families off welfare even if it were only able to help parents work steadily at low wage jobs. The bridge system would give current recipients a realistic hope of leaving welfare and raising their incomes beyond the poverty level.

Impacts on Family Incomes and Welfare Exit Points

These five program components--child support assurance, a small refundable child tax credit, a wage rate subsidy, state health insurance, and employment and training--could command wide public support because they respond to concerns over rising poverty without expanding welfare programs associated with dependency and the non-deserving. As a total package, the changes could make a dramatic difference in the incomes, independence, and self-respect of the poor and in the way the public views assistance programs.

Under the new system, mothers heading families who work half-time or more at realistic wages would keep themselves off welfare, above the poverty line, and maintain their family's health insurance. Low income two-parent families would be able to raise their incomes substantially and gain health coverage without having to resort to food stamps or other welfare benefits.

The attached graphs illustrate how various families would fare under the current and proposed systems. The figures focus on the total incomes of families at different levels of work effort, wage rates, and child care expenses. All ignore medicaid and health insurance. Figures 1 and 2 assume no child care expenses, while in Figures 3 and 4, I assume welfare mothers have to spend $2 per hour to pay child care expenses.

Note in Figures 1 and 3 that the proposed system would permit even mothers working at $4 per hour to escape poverty while staying off welfare. Under the proposed system, mothers heading families would work themselves off welfare with only half-time work at $4 per hour. Working beyond 10 hours per week would begin to yield sizable increases in total family income. In contrast, work is often unprofitable under the current system. Note in Figure 4 that even mothers able to earn $6 per hour would see only marginal increases in family income and would find themselves below the poverty line after working all year, full-time.

Low income two-parent families would also gain substantially under the proposed system. They would benefit from the refundable tax credit, the wage rate subsidy, and possibly the health insurance component. Figure 5 compares total incomes of two-parent families with two children under the proposed and current systems. In these comparisons, the family head works at a full-time, year-round job paying $4, $5, or $6 per hour.[4] Under the proposed system, even heads who earn $4 per hour would be able to move their families out of poverty with full-time work. Today, such families fall 25 percent below the poverty line. If these low wage jobs did not provide health insurance, the family would lack coverage for medical expenses unless they paid a substantial share of their income for insurance. Under the proposed system, they would be able to buy low cost health insurance.

Costs and Benefits

Although I do not yet have figures for the costs and the distribution of benefits, I should be able to provide the Committee with these figures within two months. Thanks to a grant from the Ford Foundation and their Project on Social Welfare and the American Future, I am developing a detailed analysis of the plan based on new data from the Survey of Income and Program

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[4] Since only 20-25 percent of poor two-parent families claim food stamps, the figure assumes zero income from food stamps.

Participation. At this moment, I believe the net increase in Federal and State costs would not be substantial, since many of the changes involve substituting one component for another or finding a relevant source of financing.

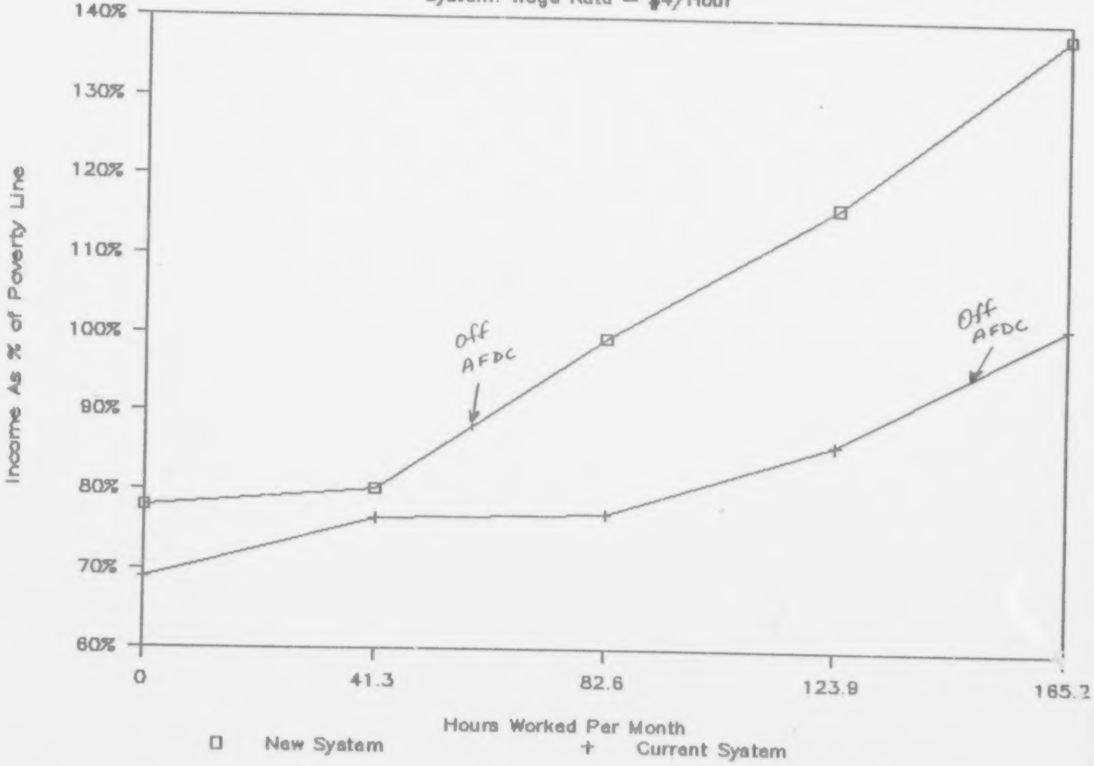
Concluding Comments

In conclusion, I want to register my agreement with Senator Moynihan, the White House, and many of the nation's governors that we have a significant opportunity to make major changes in the nation's system of income supports. A new consensus has emerged that emphasizes reductions rather than expansions of welfare, increases in the employment of recipients, and strengthening the enforcement of child support obligations.

I am optimistic that your committee can build on this new consensus and develop a more efficient and more humane system that reduces poverty while promoting independence. You can forge a new social policy for families. But to do so in a way that causes poverty and welfare dependency to decline significantly, I believe we need a bridge system for the foreseeable future. If the Congress, through the Committee's leadership, can legislate these new approaches, I believe you will gain the support and gratitude of welfare recipients, the nonwelfare poor, and even the taxpayers of this country.

FIGURE 1

Income Gains from Work: New and Current System: Wage Rate = $4/Hour

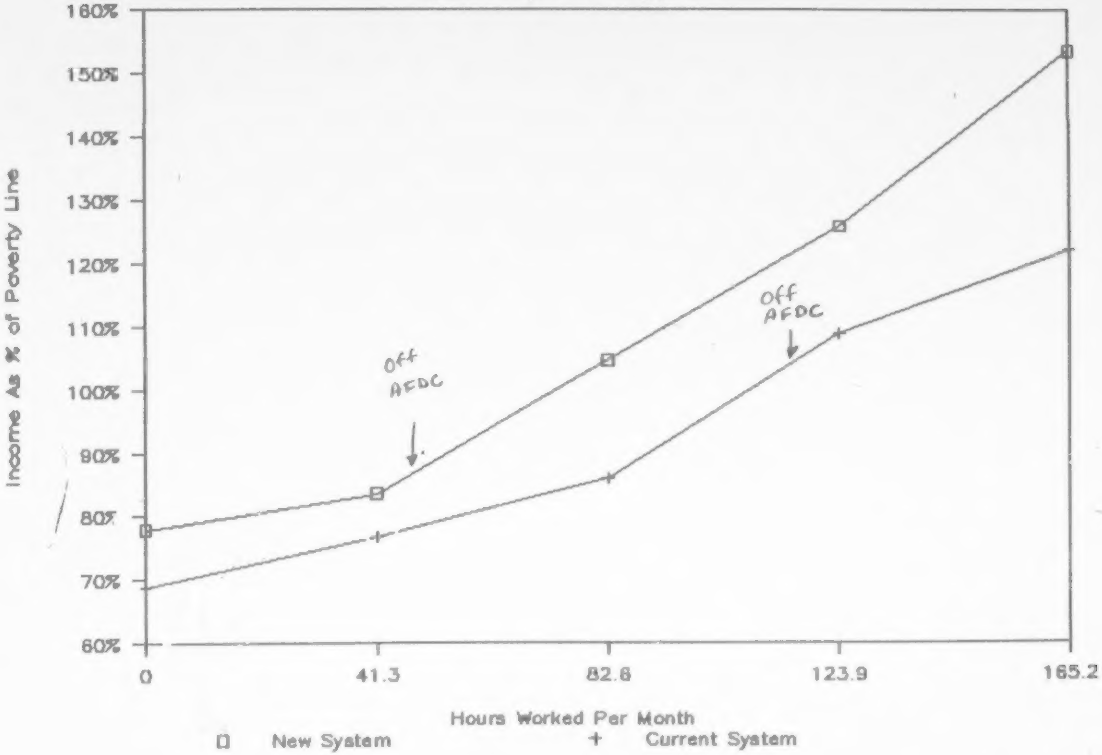


AFDC Maximum Payment = $400/month

FIGURE 2

Income Gains from Work: New and Current

System:Wage Rate = $6/Hour

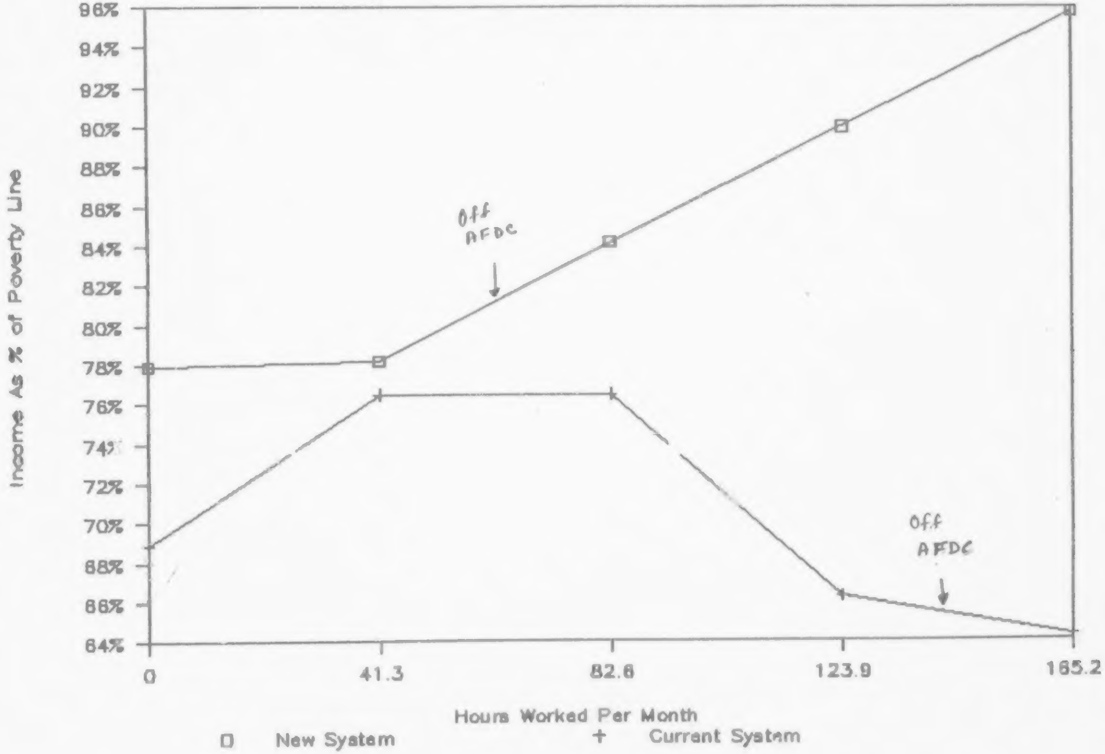


AFDC Maximum Payment = $400/month

FIGURE 3

Income Gains from Work: New and Current

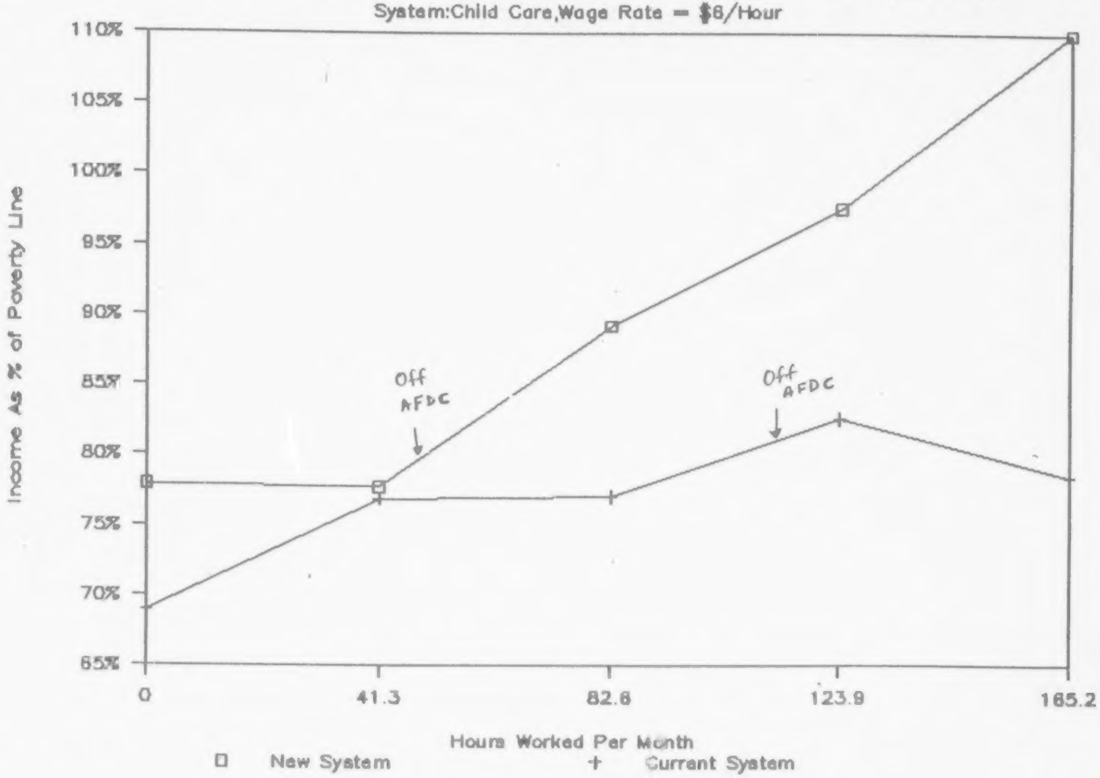
System:Child Care, Wage Rate = $4/Hour



AFDC Maximum Payment = $400/month

FIGURE 4

Income Gains from Work: New and Current

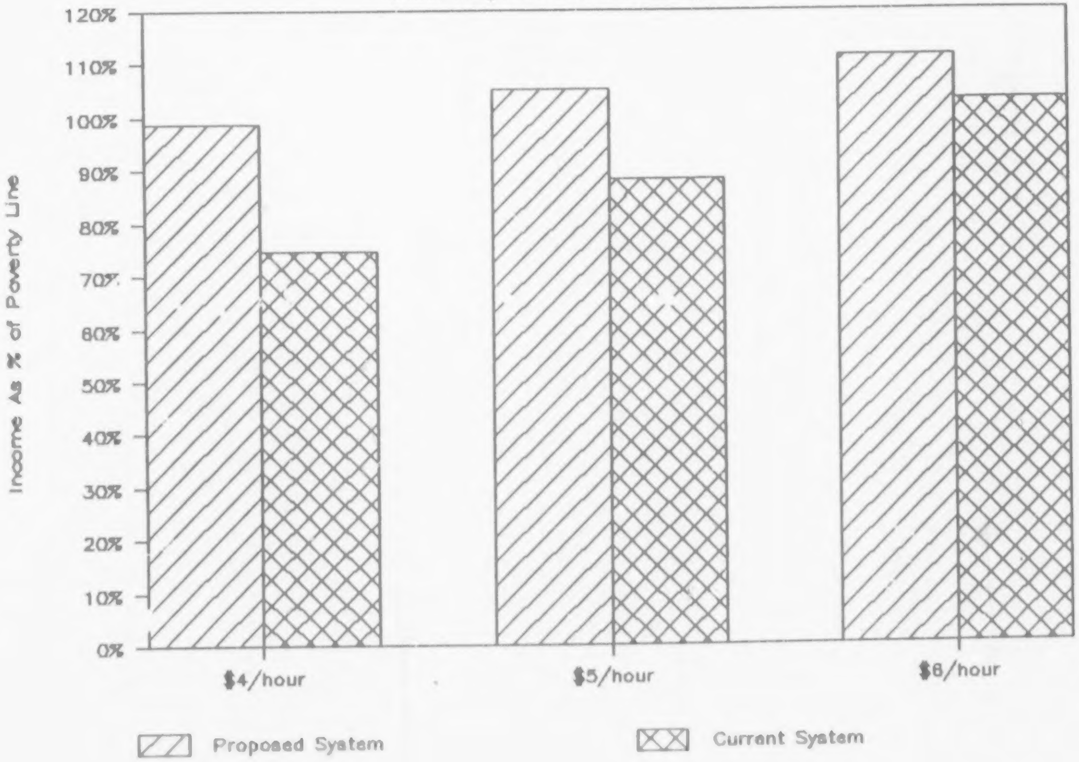


AFDC Maximum Payment = $400/month

FIGURE 5

Income from Full-Year Work by Wage Rate

Under Proposed and Current System



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March 30, 1987

Senator Daniel P. Moynihan
Chairman, Subcommittee on Social
 Security and Family Policy
Senate Finance Committee
U.S. Congress
Dirksen Senate Office Building
Washington, D.C. 20510-6200

Dear Senator Moynihan:

At the close of my testimony before the Subcommittee on February 23, 1987, you asked that I write a judgement about what could be picked up in revenue if we became serious about child support enforcement, including giving states standards that would have to be met. In response to your request, I have reviewed a number of studies that provide information relevant to your question. I shall summarize these findings briefly and offer my judgement about potential budgetary savings from improved child support collection.

1. Incremental Improvements Through Title IV-A Agency Activity

Total AFDC collections in 1985 reached $1.092 billion, well above the $671 million collected in 1981. Over the same period, the percent of AFDC payments recovered rose from 5.2 to 7.3. However, the costs of administering the program also increased, from $526 million in 1981 to $814 in 1985. As a result, over two-thirds of the $421 million increase in collections was offset by increased administrative costs. Of the other third, some of the money went to AFDC recipients because of the Congressionally mandated policy of disregarding the first $50 in support payments and the remaining amount went to states. The 1981-85 increase in collections did not yield any budget savings to the Federal government, both because of the disregard policy and because of the fact that states gain a higher share of collections than they pay in administrative costs. Only in a few states did the Federal government achieve savings through the IV-A program.

Given the recent past, we can draw the following conclusions about incremental improvements through Title IV-A agencies.

1. Increases in collections are likely to continue but total collections will probably amount to less than 10 percent of payments.

2. Administrative costs are likely to continue to rise, perhaps more slowly than in the past.

3. No significant savings are likely to accrue to the Federal government. Indeed, it would be an improvement if the Federal government losses from the Title IV-A program stayed the same or fell slightly.

2. Major Shifts in Collection Activity

Over time, the technology of collection procedures may improve to the point where states can efficiently obtain the support payments due to AFDC recipients from non-custodial parents. This would require major changes in collection procedures for all non-custodial parents. For example, some states may require immediate withholding without waiting for parents to become delinquent. Implementing these changes at little or no added costs could bring in increased support payments and associated Federal savings. However, even this happy prospect would not bring in enormous amounts because: 1) over 60 percent of AFDC mothers do not have support awards; and 2) the average award is low (only $86 per month per child in 1982). Still, collecting all amounts currently obligated would increase the share of AFDC payments offset by support payments from about 7 percent to about 14 percent.

3. Expanding Obligations and Collections

A major increase in Federal revenues could result if states were able to insure that all AFDC mothers had support awards and that all awards were collected. According to estimates prepared by Philip Robins (American Economic Review, September 1986, p.785), extending support awards and developing a payment system that collected the full award would cause support payments to reach 32-34 percent of AFDC benefits.

4. Imposing New Standards for Support Obligations

A number of states are currently developing presumptive standards for judges to use in establishing legal child support obligations of non-custodial parents. In general, these standards would increase the amounts owed by non-custodial fathers. Adopting these new standards would increase support payments, even without any increase in collection activity. However, the reductions in AFDC benefits would be small, perhaps 5-7 percent. If, in addition, collections improved and awards were extended to all fathers, the reduction in AFDC benefit outlays could be substantial. One estimate indicates that AFDC benefit paid could decline by as much as 50 percent, if the following three changes were implemented: 1) move to payment standards as specified in the Wisconsin model; 2) extend awards to cover all AFDC mothers in cases involving an absent parent; and 3) collecting the full obligation.

Overall Conclusion

Incremental improvements in the child support collection system are unlikely to yield major Federal budgetary savings. However, if states were to implement broad changes in the setting of support awards, in the establishing of awards, and in the collection of payments, significant savings in AFDC benefit outlays would result. The most serious gap in the current system is the large number of mothers who lack support orders. Establishing these awards should be a high state priority. This step is important for budgetary reasons. More important, requiring all absent fathers to pay some child support is a statement of principle that, as you said, "...if you bring children into the world, you have responsibility for them."

Sincerely,

Robert I. Lerman

Senator MOYNIHAN. Senator Rockefeller, why don't you begin with any question for the panel?

Senator ROCKEFELLER. I'll come off the wall.

What would an increase in the minimum wage do about any of this, either positively or negatively?

Professor LERMAN. Who do you ask?

Senator ROCKEFELLER. Whomever.

Dr. REISCHAUER. The minimum wage, as you know, hasn't been changed since January 1981.

Senator ROCKEFELLER. I know. It is proposed to be increased.

Dr. REISCHAUER. An increse in the minimum wage would certainly help a lot of low-income workers in America, there is no question about that. But it is a relatively blunt instrument for dealing with poverty in American, because roughly four out of five of the people paid at or below the minimum wage do not live in a poor family. So, wages are raised for a much larger group than the working poor.

A rise in the minimum wage also would have some marginal inflationary impact, and that might have the effect of pushing some people below the poverty line. So, there is an ambiguity with respect to what the overall effect would be on the number of people in poverty.

That is not to say that there aren't a number of good reasons to raise the minimum wage, reasons that deal with the distribution of earnings in the United States.

Senator ROCKEFELLER. There may be ambiguity, but in terms of the three of you and in terms of the problem we are discussing this morning, would it help or hurt?

Professor MEAD. I think it would help, but it isn't the central problem. The way I would put it is, there are some problems with low earnings for low-skilled people, there is no questions about it, and the proposals we have heard from my colleagues I think have addressed those to some extent.

But with the exception of health insurance, the lack of Medicaid if one leaves welfare, there is not very good evidence that these low wage factors are the result of low work effort. The main work reason for dependency and poverty is the low numbers of hours worked or simply nonparticipation in the labor force.

Now, that has no obvious connection to low pay. One might argue that if people were well-paid they would work more hours rather than less. The fact is that welfare people, even employable, at least the long-term cases, seem to work at much lower levels than other low-skilled people.

Now, my explanation for that is primarily the lack of authority in welfare, and that is why it seems to me we need definite participation obligations to overcome that. That has a much stronger effect on participation than raising the wage rate, because this group, for whatever reason, is not very responsive to economic incentives.

So, efforts to improve the wage package, including health insurance or other benefits, are important for people who are already working. But our problem is to get them working at all, to get out of the house, to participate actively. It is getting participation, where I think public authority is more important than incentives.

Now, the one place where you clearly do need new benefits is in the area of health insurance. That is a clear deterrent for mothers going to work, and that we have to address. But the other things I am not so clear about. I don't think they are the central problem for non-work; rather, I think the low wages cause inequality amongst those who are already working. But they don't explain poverty and dependency on the whole. Those are due, rather, to low work hours and to non-work, and for that we need a different explanation, and I think it is largely the lack of clear-cut participation requirements in welfare.

Senator **Rockefeller**. You mentioned San Diego and West Virginia, and I come back to the question of jobs and the training for those, and if the jobs don't exist.

I suppose your could theorize that, if you train people and if there is a way to actually lift people's skills to the point where they could get jobs were there jobs available, that that would be good.

Now, there are two ways of looking at that. One is that if there aren't jobs available in a West Virginia, that you deem everything not to work. Or you could say that, through something old-fashioned like a job bank or cross-state cooperation, people would get trained and they would simply have to go somewhere else, which, then, West Virginia would either be deemed to be a failure on its part to produce jobs, or you could be deemed to be proper because people were finding work somewhere, which is better than not having work anywhere.

Can you respond to that?

Professor **Mead**. Well, as I said, the evidence is that jobs are available in most areas of the country, most urban areas, at current work levels among poor people. If you look at what determines job entries in a program like WIN—and I have done studies of exactly this—the main determinant is the share of recipients who are obligated to participate actively. That is much more important than the labor market constraints.

Now, that is true particularly in urban areas; it is less true in rural areas. In rural areas there are, in some places, clear-cut limits on the numbers of jobs. But even in these areas, the share of clients obligated is more important than the job market in explaining whether WIN can put people in jobs.

I think West Virginia is really atypical, and we shouldn't look to that as an example.

Now, training has a benefit in helping people to go to work, but the main way it has that benefit is increasing the hours that they work in the jobs they can already get. Training has a limited effect on the wage, a much greater effect on earnings. So, its main effect, in my interpretation, is in fact to motivate people. So that is why I think training can play a role in a work program, but it must be mandatory—that is, you must have clear-cut mandatory participation in that as in other work activities. If you do, then you get more work out, which is the goal.

So, we shouldn't think of training primarily as raising skills, although it does that to some extent; we should think of it, rather, as energizing people to get out and do something. And when they do, the jobs are there, in most cases. The jobs that are mostly available are low-skilled, and it isn't necessary to have training to take most of them.

Senator ROCKEFELLER. All right. Now, you talked about the intrinisic value in your testimony of the training, and I understand that. But if the work isn't there in that area—and rural people tend to want to stay closer to home—then at some point it's intrinsic value, but it is not work.

Professor MEAD. Yes. Well, in rural areas it may be necessary, as it has been in West Virginia, to create jobs.

Senator ROCKEFELLER. Well, that is what I am trying to get at. Sure.

Professor MEAD. I would be in favor of that. But what we shouldn't do is make that our national strategy. I think this is, again, what I would term "a new-deal agenda" creeping into this issue, which I think is inappropriate. There is a fear that I have that we will make public jobs our main avenue for work through a national program. That isn't necessary in most areas, but it may be necessary in West Virginia.

So we have to have a program that simultaneously stresses private-sector jobs, which are the real jobs available for most people, which do not require advanced skills in most cases; but at the same time, while stressing that, we have to have a provision for public job creation in areas where jobs are really lacking, like West Virginia. Both of those things are true.

Senator ROCKEFELLER. Mr. Chairman, at the time that we started the Community Work Experience Program in 1981 in West Virginia, shortly after that our unemployment rate was at 21 percent, and was at 21 percent in fact for parts of 1982 and 1983. I don't think during the Depression it got much over 25 on a national basis.

Do you know or could you supply the Chairman's subcommittee with figures on, when in rural areas where jobs are not easy to come by, and not just in West Virginia but in Central Appalachia as a whole and other places, for people, when they do get basic skills of intrinsic value, to the extent that they can get jobs, to what extent do they have to go elsewhere to find them?

And I am not making a moral judgment—that may be the higher moral judgment that they have to go elsewhere, so long as they do, as opposed to either subsidizing public jobs in that state, on the one hand, or on the other hand going to Texas, which they used to do, or other places to find work. Both have value for the family, for the person, because it is work that pays. One has less value for the state, because you have invested then lost the person; but that may be a lower moral dimension than the person getting work somewhere.

Do you have figures as to the rural areas?

Professor MEAD. I don't know that myself. I do know studies which talk of migration in the country and the effect of people moving toward where they think jobs are available. It would be my expectation that people moving from rural areas could find at least low-wage jobs in urban areas today, at the margin.

Now, if they all moved there, and if people on welfare all decided to work consistently all at once, you might find a lack of jobs even in urban areas. But at the moment—and I do have a study of WIN that talks about this directly—the job constraint in urban areas looks to be unimportant in whether people go to work.

Dr. **Reschauer**. I would like to just raise a word of opposition or disagreement with Larry. I think he minimizes the problems of finding jobs in this country. West Virginia might be perceived as an anomaly when compared to only the East Coast in 1987. But we have Louisiana, Alabama, Mississippi, Texas, the Pacific Northwest, lots of areas of this country right now where finding a job as a skilled person or an unskilled person is a very difficult thing. Several years ago it was Michigan, Ohio, the Rust Belt. These things go up and down.

To look at the experience of the WIN program—and I don't disagree with his analysis, but we are looking at a small number of people who are running through that program—and saying, under these kinds of conditions what is important, that is very different from saying we are going to consider putting work obligations on a million welfare recipients. You are just orders of magnitude different in that case, and I would be skeptical.

Professor **Mead**. I just don't want to overemphasize my disagreement with Bob. I would agree with him that there are two important limits to what I am saying. One is that, though jobs are available in urban areas where most of the caseload is, they may not be available in rural areas. I agree with that. In fact, that is a finding in my own most recent study.

The other thing I agree about is that the jobs are available at the margin—that is, at current work levels. If indeed we had hugely large increase in the number of welfare recipients seeking work, we might find a problem, more broadly. I agree with that.

But since jobs are apparently available at the margin in the urban areas, at present, I think we should start requiring work and see how far we get. That is why I think phased implementation stressing higher participation should be the focus of the implementation process, and let's see what happens. I don't know what is going to happen down the road; we may find, with higher participation levels, that we start to see a constraint. Then you should create jobs. But let us not start off creating jobs in large numbers in urban areas, when in fact jobs are available at present.

Senator **Moynihan**. All right. We got that.

Senator **Rockefeller**. Thank you, Mr. Chairman.

Senator **Moynihan**. Senator Bradley?

Senator **Bradley**. Thank you very much, Mr. Chairman.

One question of each of you. If any of you disagree with what the other has said, please volunteer your disagreement.

Mr. Mead, you said that simply to offer new benefits, whether it be child support, child care, work and training benefits or whatever, if they are voluntary you think that that isn't productive. You implied, therefore, that there should be an obligation. My question to you is: Are you saying that, in order to receive benefits, one must agree to work in a certain job for a certain period of time? Have you detailed that?

Professor **Mead**. Yes, basically that is correct. I think there is an important place for services in an effective work program, but voluntary employment programs that did not involve a clear-cut participation-of-work requirement, such as CETA, did not achieve higher work levels among the dependent; they achieved other improvements to their earnings, perhaps, in terms of higher wages, but they didn't raise the share of the dependent who were trying to work, and that is what we are mainly interested in here.

So, I think you can have services, but they must themselves be mandatory, as a work obligation would be. They must be a form of work, in other words. And it is the two together—the providing of some service in training and job placement, and other assistance, it is that plus the recipient's obligation to participate—that I think moves us forward. If you just have the obligation with no services, or if you have the services without obligation, you won't achieve what you want.

Senator **Bradley**. Are there degrees of difficulty with the various levels of welfare populations?

Professor **Mead**. Oh, yes. That is why I think it is appropriate for some people to say, "Rather than go to work immediately, you should enter a job-readiness program of some sort."

Senator **Bradley**. I can't hear you.

Professor **Mead**. I am sorry. Rather than say to everyone, "You should go to work immediately," we should have some forms of job-readiness training or other training for people who are less job-ready. I accept that. But for them, that is the job; that is their obligation to participate in that. And if you put them under the obligation, then in fact a significant share of those people will in fact go to work.

So, the important motivating, energizing force is the obligation.

Senator **Bradley**. Thank you.

Dr. Reischauer, you implied that medical care is a problem area. Would you be supportive of extending the eligibility for Medicaid to someone who has exceeded the poverty level by a certain dollar amount? Or would you be in favor of extending the eligibility for Medicaid for a certain period of time after that person is over the poverty threshhold? Or both?

Dr. **Reischauer**. Right now we have a provision in the law which allows for an extension of Medicaid coverage for AFDC recipients who work their way off of welfare, so to speak. Their Medicaid is extended for a number of months. And the question is whether that should be amended.

Senator **Bradley**. It is four?

Dr. **Reischauer**. It is nine, now. And states have an option on that.

Senator **Moynihan**. It is nine, yes, for those who become ineligible due to the loss of their earned income disregard.

Senator **Bradley**. And the state option is?

Dr. **Reischauer**. They can extend that for six more, beyond that.

You are in a very difficult problem here, because Medicaid is a relatively comprehensive health insurance system that, while it doesn't provide you access to any doctor you might want, turns out to be relatively generous compared to the insurance that is offered by most employers that offer health insurance, such as the health insurance I have. There are no co-payments, there are no deductibles. And the question is, how do you mesh this relatively generous public system with the kinds of insurance that low-wage workers are receiving, if they are receiving any at all? It is a very, very difficult problem.

You could have people buy into Medicaid, conceivably, for a period of time. Have those who have poverty-level earnings pay a monthly premium charge to be a part of this system, but a premium charge that wouldn't cover the entire costs of the system.

I have a paper which I will be glad to send you which lists several alternatives along these lines.

Senator **Bradley**. Yes, I would very much like to see that.

Dr. **Reischauer**. But I don't think it is something where you can just say if these people lack coverage; we should extend the coverage,. because you have to think how it is going to mesh with the insurance that the rest of society has, and is there going to be resentment where these two types meet.

Senator **Bradley**. Right. Well, if you have a paper, I would like to see it, and I am sure the Chairman would.

Chairman **Moynihan**. We would like to have it.

[The paper follows:]

WORK AND WELFARE: The Case for New Directions in National Policy

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Introduction

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March 1987

Welfare Reform and the Working Poor

Robert D. Reischauer

In his February 1986 State of the Union Address, President Reagan called for a thorough review of the current welfare system and the development of a strategy to reduce dependency. This call, together with growing public concern over high rates of child poverty, the plight of the homeless, the emergence of an underclass, and teenage pregnancy, has put welfare reform back on the nation's agenda.

As groups both inside and outside government have reviewed the current welfare system with an eye towards reform, they have consistently concluded that existing programs do not do enough to encourage welfare recipients to become self-sufficient. The policy response to this has been a renewed interest in efforts to enhance the employability of welfare recipients, reduce the barriers that keep some recipients from employment, and increase the motivation of recipients to look for jobs. More than three-quarters of the states have begun to test a variety of work-welfare programs that offer such activities as basic skills classes, job-related training, work experience, job search assistance, day care services, transportation subsidies, supported work, wage subsidies, and public sector workfare positions.

Policy discussions concerning these efforts to move welfare recipients into the workforce have focused almost exclusively on the world of welfare and on questions like: What treatments should be offered? Which recipients should participate? and, What work requirements should be imposed? Little attention has been given to the work environment into which the program participants will move; that is, to the world of the low-wage, low-skilled workforce. This is unfortunate, because the circumstances facing low-income workers may significantly influence the effectiveness of work-welfare initiatives.

One reason why the circumstances facing the low-income workforce are important for welfare reform and work-welfare initiatives is that they limit the assistance that can be offered to those receiving welfare. This constraint arises from the widely-shared belief that those who work and conform to society's expectations should be better off than those who depend on public assistance. Many would feel it was unfair if welfare recipients were offered benefits, education and training options, job opportunities, and supportive services that were significantly more generous than those available to the low-income working population. Resentment could grow and a political backlash might develop against welfare programs. In addition, perverse incentives could be created. Low-income workers might be drawn to welfare so as to avail themselves of the greater opportunities provided to those on public assistance.

The author would like to thank Robert Greenstein, Sar Levitan, and Isabel Sawhill for their comments and Rob Krebs for his research assistance in the preparation of this paper.

A second reason why the circumstances facing low-income workers are important for welfare reform and work-welfare initiatives is that, for most recipients, these circumstances represent the realistic alternative to the dependent life. While public policy should strive to place welfare recipients in jobs that pay an adequate wage, most recipients will find their employment opportunities limited to low-wage jobs of the sort currently held by those with little education and few skills. If welfare recipients are to strive for self-sufficiency, they must regard the life style afforded by these jobs as an attractive alternative to public assistance. When the jobs they can get do not have such appeal, programs that try to move people off of welfare must rely on regulation and sanctions. Such approaches have never proven very successful.

This paper examines the circumstances facing the low-income working population. It documents how, for many of those who possess few marketable skills, a life of work may not offer much more in the way of material comfort than a life of dependency. To the extent that this is the case, policies must be adopted to improve the lot of low-income workers before significant welfare benefit improvements can be considered and before work-welfare initiatives can be expected to succeed on a wide scale.

The next section provides some basic information about the working poor and near-poor: how many there are today and how their ranks have changed over the past decade. It also reviews the various reasons why some of those who work find themselves with inadequate incomes. The third section compares the life of the working poor and the life of the welfare recipient with respect to two important dimensions of government policy, taxes and health insurance. The final section of this paper describes some of the policies that could improve the circumstances of the low-income working population. These policies should be an integral part of any effort to reform the welfare system.

The Low-Income Working Population: How Big? Who? Why?

Many families and unrelated individuals in America work, yet are poor or have incomes that are uncomfortably close to the poverty threshold. In 1985, there were some 3.6 million families who were poor even though the household head worked at some time during the year.[1] (See Table 1) Six percent of all families and one-half of all poor families were members of the working poor. In addition, there were about 2.5 million unrelated individuals who worked but were poor. Roughly two out of every five poor unrelated individuals worked at some time during 1985. The ranks of the working near-poor, those who were not poor but had incomes that were below 125 percent of the poverty threshold, were made up of 1.6 million families and 0.8 million unrelated individuals.

The vast majority—some 84 percent—of working poor families contained children. Slightly over one-third of working poor families (37 percent) were female-headed. Seventy-three percent were white and 23 percent were black.

While the size of the working poor population has declined slightly from the 1983 peak that was associated with the 1981-2 recession, this population has grown substantially during the past decade. The number of working poor families was roughly one-third greater in 1985 than it was a decade earlier and the number of working poor unrelated individuals was 40 percent larger.

Table 1:
Poor and Near-Poor[a] Working Families and Individuals, 1975 to 1985 (Numbers in Thousands).

YEAR	FAMILIES		UNRELATED INDIVIDUALS	
	Poor	Near-Poor	Poor	Near-Poor
1985	3,630	1,555	2,510	837
1984	3,574	1,663	2,577	835
1983	3,768	1,716	2,688	754
1980	3,073	1,548	2,221	842
1975	2,745	1,544	1,793	611

a: Above poverty but below 125 percent of poverty.

Source: U.S. Bureau of the Census, *Current Population Reports*, "Characteristics of the Population Below the Poverty Level," Series P-60, Number 154, 152, 147, 123, and 106 and unpublished data.

There are a number of different reasons why some families and individuals who work find themselves poor. For some, in particular the one-third of working poor families who worked full-time throughout the year, the problem is one of low wages relative to the size of their family. A significant fraction of all jobs do not pay a wage that, even on a full-time basis, is sufficient to support a family above the poverty threshold. For example, in 1985 almost one out of every three jobs did not pay enough to keep a family of four with no other source of income out of poverty.[2] (See Table 2)

Several recent studies suggest that the proportion of jobs in the American economy that pay enough to support a family adequately has declined in recent years. One of these studies found that the fraction of household heads who did not earn enough to keep a family of four out of poverty increased from 19.7 percent in 1979 to 26.1 percent in 1984.[3] Another study estimated that over one-half of the net increase in employment that occurred between 1979 and 1984 could be attributed to jobs that paid less than $7,012 (1984 dollars) per year. This disproportionate growth of jobs paying inadequate wages has had a particularly pronounced effect on the employment prospects of those with little education.[4]

Various measures of average wages also suggest that the pay provided by many jobs has deteriorated in recent years. For example, average real hourly earnings in the private, non-agricultural economy are some 6 percent below the peak level which they reached in 1971 and average real weekly earnings for production and non-supervisory workers are 14 percent below the levels reached in the early 1970's.

The minimum wage, which represents the floor under the entire wage structure, has declined in real value as well. Fixed in nominal terms at $3.35 an hour since January 1981, it has lost over one-quarter of its purchasing power to inflation. Currently, a single woman with one child working full-time, full-year at this wage can not earn enough to lift her family of two out of poverty.[5] The income of a family of four whose breadwinner worked at a minimum wage job would be only 62 percent of the poverty threshold.

For other working poor, the problem is not primarily one of low wages, but rather of working at a part-time job rather than a full-time job. While the American economy has generated a tremendous number of jobs over the past decade, an increasing proportion are jobs that offer only part-time employment. In 1985, one out of six jobs in the economy was part-time.[6] While many workers voluntarily choose part-time employment because of the flexibility such jobs offer, others have no options and find such jobs to be a cause of poverty. In 1984, 29 percent of the household heads in working poor families and 45 percent of poor, working unrelated individuals held part-time jobs; one out of ten poor working families had a head who worked throughout the year at a part-time job.

Family responsibilities, poor health, or a shortage of full-time jobs rule out full-time work for many. For women who are raising children, the first of these factors is especially important. While two-thirds of all mothers with children under age 18 worked in 1984, one-third of these working women did not work full-time. The situation facing single mothers, who do not have a husband's income or help with child care, is particularly difficult. Some 44 percent of poor single mothers who worked were employed in part-time jobs.

Some who work and yet find themselves poor have inadequate incomes because they do not work throughout the year. In 1984, roughly two-thirds of

Table 2:
Percent of Jobs Paying Wages that Were Insufficient to Support Families of Various Sizes Above Poverty Thresholds, 1985.

	Family Size			
Pay Basis	2	3	4	5
Hourly	11.1%	25.9%	42.6%	54.5%
Non-hourly	7.3	10.0	16.6	24.6
Total	9.5	19.2	31.6	41.9

Source: Estimates from the March 1985 Current Population Survey. Based on a comparison of the poverty thresholds with 2080 times the hourly wage rate and 52 times the weekly wage of those who are not paid by the hour. The estimates would be somewhat higher if adjustments were made for the fact that some hourly jobs are not full-time.

working poor family heads and 55 percent of such unrelated individuals did not work the entire year because they experienced some unemployment. Much of this unemployment results from the instability or seasonality that is characteristic of many low-wage jobs. The remaining one-third of the working poor did not participate in the labor force for the full year because they had health problems, entered retirement, went to school, or were needed at home. The difficulty of balancing work, school schedules and child care makes the last of these reasons an important explanation why many working women with children work for only part of the year.

The preceding information indicates that there is a large and growing population of families and individuals who are trying to make it in the world of work, but who are not meeting with great success. Low wages, temporary unemployment, a shortage of full-time jobs or the presence of responsibilities that preclude working full-time throughout the year leave this population with inadequate incomes. The problems faced by this population deserve, in their own right, to be addressed by public policy. Moreover, they must be confronted if we hope to motivate welfare recipients to increase their work effort and thereby become more self-sufficient.

Government Policies and the Working Poor

Most government programs that are directed at the low-income population assist the working and nonworking poor without distinction. Housing assistance programs, nutrition programs, education assistance, and job training efforts differentiate on the basis of income, not the origin of that income. However, the same can not be said for the tax system or for health policies. In recent years, both have tended to place the working poor at a disadvantage.

All low-income Americans, regardless of the source of their income, pay some taxes. Sales and excise taxes, which depend on a family's level and pattern of expenditures as well as its state of residence, hit the working poor and welfare recipients alike.[7] This is not true for income or payroll taxes. Transfer payments, such as welfare, are not subject to such levies, while earned income is. In recent years, this distinction has become increasingly important as the income thresholds above which families of different sizes must pay income taxes have fallen and as payroll tax rates, which are applied to all earnings up to a maximum, have risen.

In 1948, a family of four could earn up to $12,170 (1986 dollars), or 10 percent more than the poverty threshold, before it owed any federal income tax. By 1986, this tax threshold had declined to about $9,570, or 14 percent below the poverty threshold.[8] Because the values of the personal exemption, the zero bracket amount, and the Earned Income Tax Credit (EITC) have not been increased as fast as inflation, the tax burden on a working family with poverty level earnings has risen substantially over the past decade.[9] In 1975, such a family received a refundable credit or payment through the EITC equal to 4.55 percent of its income; by 1986 that same family was required to pay income taxes equal to 3.26 percent of its income.[10] (See Table 3) The Tax Reform Act of 1986, which is discussed in the next section, will reduce these burdens significantly starting in 1987.

Table 3: Average Tax Rate for a Four Person Family with Poverty Level Income from Earnings

Year	Poverty Level	Average Tax Rate	Year	Poverty Level	Average Tax Rate
1948	$2,459	0.0	1980	$ 8,416	-0.66
1955	2,735	0.45	1981	9,289	1.89
1960	3,025	2.13	1982	9,859	2.89
1965	3,223	0.97	1983	10,176	3.13
1970	3,966	1.94	1984	10,609	3.43
1975	5,497	-4.55	1985	10,988	3.37
1978	6,663	-2.01	1986	11,213*	3.26
1979	7,414	-4.33		*estimate	

Source: Eugene Steuerle and Paul Wilson, "The Taxation of Poor and Lower Income Workers," in Jack A. Meyer (editor), *Ladders Out of Poverty: A Report of The Project on the Welfare of Families*, American Horizons Foundation, Washington, 1986.

In recent years, state income taxes have also tended to take a bigger and bigger bite out of the incomes of the working poor. In 1950, few states imposed income taxes on families with poverty level earnings. This situation changed during the 1960s and 1970s as more states imposed levies on income and as tax rates increased. Between 1977 and 1983, the average state personal income tax rate for a family with $10,000 of income (1979 dollars) rose from 1.54 to 1.98 percent.[11]

The major tax burden on the working poor, of course, is the payroll tax which finances the social security and medicare programs. This burden has risen steadily in the post-war period. In 1948 a tax of 1 percent of earnings was levied on both employers and employees; by 1970 this rate had risen to 4.8 percent; by 1980, to 6.08 percent; and by 1986, to 7.15 percent. Thus, a family of four with poverty level earnings will pay about $800 in payroll taxes for 1986.

In all, a family with earnings equal to the poverty threshold pays roughly 12 percent of its earnings in taxes which are not levied on the welfare recipient. This effectively reduces the difference between the resources available to those who work and those who are dependent on welfare.

Many of the working poor also have less protection against health care expenditures than does the welfare population. Most non-aged Americans obtain health insurance for themselves and their families through their jobs or the jobs of another family member. But many low-wage jobs provide little or no such coverage and individually-purchased health insurance tends to be very expensive. In 1984, roughly three-quarters of wage and salary workers who were poor worked in jobs that did not offer group health insurance. Seventy-four percent of those who held jobs from which they earned less than $10,000 during the year did not have group health insurance through their place of employment.[12]

Part-time jobs and jobs in small firms tend not to offer employer or union provided group health insurance. Such insurance is also frequently not provided in certain industries and occupations. (See Table 4) For example, while 85 percent of men employed in executive or managerial occupations had job-related health insurance, only one out of four women in service occupations enjoyed such coverage.

Even when health insurance is available, low-wage employees often have to bear more of the cost of that

Table 4: Percent of Wage and Salary Workers Not Covered by Employer or Union Provided Group Health Plan By Selected Industries, Occupations and Earnings, 1984

A. Industry/Occupation	Male	Female
All Industries/Occupations	33.2%	48.3%
Industries		
Agriculture, Forestry, Fishery	75.1	76.3
Construction	47.0	51.6
Retailing	54.8	70.4
Personal Services	65.2	83.5
Entertainment, Recreation	65.1	73.9
Occupations		
Technical, Sales, Admin. Support	27.6	46.4
Services	55.2	74.7

	Male		Female	
B. Earnings Level	Full-Time	Part-Time	Full-Time	Part-Time
Under $10,000	65.9%	88.7%	57.4%	86.9%
$10,000 to $20,000	24.2	53.2	20.1	48.5
Over $20,000	9.1	27.5	13.2	36.5

Source: Bureau of the Census, *Current Population Reports*, "Characteristics of Households and Persons Receiving Selected Noncash Benefits: 1984," Series P-60, No. 150, November 1985.

coverage than do high-wage workers. Employers or unions picked up the full tab for more than 40 percent of the group policies covering full-time, full-year workers earning over $25,000; however, they paid the full cost for only one-quarter of the policies covering full-time, full-year workers earning less than $10,000.

The limited evidence available also suggests that policies covering low-income workers are less adequate than those covering the high-income workforce.[13] Deductibles and coinsurance rates are probably higher, reimbursement standards lower, catastrophic coverage more limited, and dependent coverage less prevalent. Policy holders with less adequate plans tend to have higher out-of-pocket expenditures.

In contrast to many of the working poor, welfare recipients do have fairly adequate health care coverage. This protection is provided through the Medicaid program, which covers the full cost of hospitalization, doctor's services and a range of other medical needs. In over half of the states, Medicaid pays for eyeglasses, prescription drugs and dental care. While Medicaid coverage is fairly comprehensive, a patient's choice of providers is severely limited because many doctors, reacting to low Medicaid fee schedules, do not participate in the program. Measured by expenditures, the annual value of Medicaid protection for the typical AFDC mother and her two children was about $1,700 in 1984.[14]

Recent program expansions have extended Medicaid coverage to some, but not many, of the working poor and near-poor. Certain pregnant women and young children who meet their state's income and resource limits for Aid to Families with Dependent Children (AFDC) have been eligible for Medicaid since October 1984 even if they do not meet the other eligibility requirements for AFDC.[15] States may choose to extend Medicaid coverage to two-parent families that meet the state's AFDC income and resource limits even in cases where one parent is employed and the state has no cash assistance program for two-parent families with an unemployed breadwinner.

In addition, thirty-five states offer Medicaid coverage to the "medically needy." To be classified as "medically needy," a family with dependent children must have an income that, after deducting medical expenses, falls below 133.3 percent of the state's AFDC payment standard. The family must also meet the state's non-income eligibility requirements for receiving AFDC. These include not only restrictions on family structure but also resource limits that exclude families who have more than minimal assets.[16] Few low-income working families benefit from the "medically needy" coverage and those that do might have to spend several thousand dollars on medical care and sell most of their assets. Therefore, for the vast majority of the low-income working population, Medicaid represents, at most, a very limited form of catastrophic insurance, not something that helps to pay the day-in and day-out costs of medical care.

Taking both taxes and medical care into account, the material standard of living available to many low-wage working families may not be much better than that afforded to families who depend on public assistance. In the average state, a family of four with poverty level earnings would have disposable resources that are less than 25 percent above those of a welfare family; in a high-benefit state such as California, the working family could find itself 6 percent worse off than a family on welfare.[17]

Viewed from the perspective of the welfare recipient, the self-sufficient life may not seem very appealing. In the average state, a welfare mother of two who finds a job earning just enough to cross the poverty threshold (about $4.20 per hour in 1986) would see her disposable resources rise by over 45 percent, a significant increase over the level provided by a life of dependency. However, if she has to pick up the costs of medical care for her family because her job provides no health insurance, and has to spend $31 per week on day care, this increase would shrink to less than 10 percent.

In a high-benefit state such as California, her situation would be improved by less than 10 percent as a result of working full-time. In effect, her net wage would be less than $0.40 per hour. If she had to pay for day care and medical care, her situation could actually be worsened by taking a job.

But even these examples may overstate the realistic alternatives facing many welfare recipients because the earnings prospects for the average welfare mother are generally quite limited. For one thing, full-time, full-year work may not be realistic for someone trying to raise several young children without help. For another, a wage of $4.20 an hour may not be attainable. Over half of all welfare mothers do not have high school diplomas, close to one-third have no previous work experience, and the vast majority of those who have held a job have worked at relatively unskilled occupations.[18] In 1985, over half of working women who lacked a high school diploma held jobs that, on a full-time, full-year basis, did not pay enough to support a family of three—the median size of an AFDC family—above the poverty threshold. Presumably, many of the women who are currently working command higher wages than the average welfare recipient can earn when she first leaves the welfare rolls.

Of course, the attractiveness of the self-sufficient life to the welfare recipient depends not only upon a comparison of the net income available from employment with that provided by welfare. There are also other satisfactions, benefits, aggravations and costs associated with the two alternative ways of life. Work can provide a sense of identity and a feeling of pride that comes from knowing one is self-sufficient. Welfare may stigmatize an individual and foster feelings of inadequacy and low self-esteem. Most jobs broaden one's horizons and are a source of enjoyable personal interactions and friendships. But employment also entails extra costs for clothing, transportation and child care. Time for housework, family and leisure activities is lost. Anxieties and tensions may arise from unsatisfactory child care arrangements or from a difficult job environment. For the most part, these dimensions are difficult to quantify, intangible and subject to wide variations across individuals and job situations.

Policies to Assist the Working Poor

Policies should be adopted to help the low-income working population both because this group deserves assistance in its battle to remain self-sufficient and because such policies are a prerequisite to any effort to reform the welfare system. Macro-economic policy must play an important role in this effort. As long as the nation tolerates a rate of unemployment that is close to 7 percent, the ranks of the working poor will be large. In such an environment, many will find themselves unemployed for part of the year or confined to jobs with shortened work schedules. Slack labor markets also keep the real wages of many jobs from rising. For those earning sub-poverty incomes, the failure of a pay check to keep pace with inflation is especially cruel.

But the focus of efforts to help the working poor must extend beyond a reliance on macro-economic policy. Steps should be taken in the areas of wage, tax, and health policy to ensure that those who work do not find themselves at a disadvantage and that welfare recipients who make the effort to become self sufficient through work improve their circumstances significantly.

Wage Policy

The ideal way to raise the wages of low-income workers, is to raise their productivity through increased education, training and job experience. However, such policies take time and often are not very realistic for middle-age and older workers. While awaiting the results of such longer-term strategies, we could raise and index the minimum wage. From 1962 until 1979, a full-time, full-year worker could earn enough at the minimum wage to support a family of three at close to or slightly above the poverty threshold.[19] The current hourly minimum wage of $3.35 would have to be increased to about $4.35 in 1987 to re-establish that standard. This level would be approximately $0.17 higher than the level needed to restore the purchasing power that the minimum wage has lost since it was last raised in 1981.

An alternative would be to tie the minimum wage to some measure of average wages in the economy. Over the period 1962 to 1981, the minimum wage averaged 48.2 percent of the average gross hourly earnings for production and nonsupervisory workers in private non-agricultural industries. The minimum wage would have to be raised to about $4.36 per hour for this relationship to be re-established in 1987.

If the minimum wage were tied to the amount needed to support a family of three at the poverty threshold, it would automatically be adjusted for changes in the cost of living. This might be regarded as inappropriate during periods of inflationary shock when the real wages of other workers tend to fall. Thus, it may be more sensible to adopt the indexing procedure used for social security benefits when the trust fund reserves are relatively low. Under this procedure, the minimum wage would be increased each year by the lesser of the increase in wages or in prices. If the annual adjustment were made on the basis of wages, the shortfall relative to prices would be made up when real wages began to grow again.

Over the long run, the relative value of a minimum wage tied to the cost of living would decline if real wages and real standards of living rose. This would not be the case if the minimum wage were tied to some measure of average wages.

Increasing the minimum wage is no panacea; in fact, it is a rather blunt instrument for improving the living standards of the working poor. In 1985, fewer than one in five workers who were paid at or below the minimum wage lived in a poor family; approximately one in seven workers earning between $3.36 and $4.35 was poor. Fewer than one in eight minimum-wage workers and workers earning between $3.36 and $4.35 lived in a family with an income between the poverty threshold and one and one-half times that threshold.[20] Thus the vast majority of those who would benefit directly from an increase in the minimum wage would not be among the working poor or near-poor.

Increasing the minimum wage is also a policy that would raise some difficult tradeoffs. To the extent that labor costs were pushed up, this policy would be inflationary and could have a small detrimental impact on the nation's competitive position. Roughly 15 million workers would be directly affected if the minimum wage were increased to $4.35; another large group would be indirectly affected by efforts to maintain wage differentials between minimum-wage and above minimum-wage jobs. Because of the inflationary consequences and because employers may experience difficulties accommodating a single large wage increase, it would be prudent to phase in the new standard over several years. Four annual increases of $0.37 per hour would bring the minimum wage to roughly the level needed in 1990 to support a family of three at the poverty threshold.

A second difficult tradeoff involves employment. Faced with a higher cost for labor, some employers will cut back their workforce or reduce hours. This impact is likely to have the most effect on teenagers and others with the fewest marketable skills and the least solid attachment to the labor force. While the persistence of high teenage unemployment rates makes this possibility particularly troubling, it should be noted that most teenagers (62 percent in 1985) are currently paid more than the minimum wage.[21] Estimates suggest that job opportunities for teenagers would be reduced by about one percent for every ten percent rise in the minimum wage. These disemployment effects may be softened a bit by the tightening of youth labor markets that is expected to take place as the size of the teenage cohort shrinks over the coming decade.

Nevertheless, serious consideration should be given to establishing an alternative minimum wage for teenagers. This rate could be limited to high school age teenagers (18 and under) who generally do not work full-time throughout the year. Such a differentiation would reduce the temptation to leave school before graduation. A teenage minimum wage could be set at the level needed to support a family of two at the poverty threshold—about $3.55 an hour in 1987.

For the past few years, the issue of a youth minimum wage has generated an intense debate in which proponents have tended to exaggerate its benefits and opponents have often exaggerated its costs. The nation should not allow this disagreement to further paralyze efforts to restore the minimum wage to a level that can support a family.

Hourly wage subsidies offer an alternative to increasing the minimum wage. The principal earner living in a family with children could be provided a subsidy equal to one-half of the difference between $6 and the worker's hourly wage rate.[22] Such a subsidy would reward work by giving more to those who worked the longest hours. It would be well-targeted because, per hour of work, the biggest subsidies would go to those who were paid the lowest wages. A minimum wage, full-time, full-year worker would receive a wage subsidy of roughly $2,750 under this scheme.

While wage subsidies have much to recommend them, they represent a major change in policy that might take several year to enact and implement. New mechanisms would have to be established to ensure accurate reporting of hours. Changes may have to be made in the tax code to recapture subsidies given to those whose circumstances improved markedly over the course of the year.

Tax Policy

The Tax Reform Act of 1986 eliminated the federal income tax burden on the working poor and greatly reduced this burden on the near-poor. When changes are fully implemented in 1988, the income levels at which families begin to owe federal income taxes will be above the poverty thresholds for all family sizes. A mother with two children will not have a positive tax liability until her income exceeds 143 percent of the poverty threshold; for a married couple with two children the corresponding figure will be 124 percent.

The liberalization of the Earned Income Tax Credit contained in the Tax Reform Act of 1986 represents a major benefit for the working poor. This credit, which is available to families with children, will be set at 14 percent of family earnings up to $6,200.[23] The maximum credit of $868 will be reduced by $0.10 for every dollar of income the family has above $9,770. Thus, a credit will be received by all those with incomes below $18,470. If this credit exceeds a family's tax liability, the credit will be refunded. This will be the case for all working poor families with children. In 1988, a four-person family with earnings just at the poverty threshold will receive a payment of $640 or 5.29 percent of its pre-credit income.

The working poor could be helped even more through further enhancements of the EITC. One such improvement would be to provide larger families with bigger credits through the EITC. Under current law, the credit does not vary by family size. Thus a family consisting of a mother and a child with earnings of $7,000 a year will receive the same $868 credit in 1988 as a family of six with the same income. If both of these families were to earn just enough to reach the poverty threshold for their family size, the two-person family would receive an EITC payment for $868, while the larger family would receive only $239.

A straightforward method of adjusting the EITC by family size would be to increase the credit rate according to the number of dependents. A four percentage point increase for each additional dependent would add about $250 per additional dependent to the size of the maximum credit.[24] If this adjustment were limited to dependent children, not spouses or related adults, the structure of the EITC would reflect the special difficulties faced by single-parent families.

Several other adjustments could be made in the EITC to assist the working poor even more. First, the

EITC could be extended to childless couples and independent single individuals. If this were done, there would be less need to raise the minimum wage to the levels discussed earlier. Second, the basic credit levels could be raised above the amounts provided in the Tax Reform Act of 1986. After the scheduled social security tax increases of 1988 and 1990 take effect, the enhanced EITC will not fully offset the payroll taxes paid by some working poor families.[25] Finally, further efforts could be made to ensure that those who will be eligible for a refund through the EITC receive that payment on an advance basis rather than in a lump sum payment after they have filed their tax return. Currently, fewer than two of every one thousand tax units receiving an EITC refund obtain their payment on an advance basis.

Another area of tax policy that could be modified to provide more help to the working poor is the child and dependent care credit.[26] Single working parents and families in which both parents work are currently allowed to take a tax credit equal to a fraction of their eligible child care expenses. Expenditures of up to $2,400 are eligible for families with one child and $4,800 for those with more than one child. The credit is 30 percent of the eligible expenditures for families with incomes below $10,000, 20 percent for families with incomes exceeding $28,000, and between 20 and 30 percent for families with intermediate incomes.

For the most part, low-income working families have not utilized the child care credit because, even with the credit, they can not afford paid forms of child care. The credit has largely helped the middle class. In 1983, fewer than one out of ten beneficiaries of this credit had an adjusted gross income below $10,000; less than one percent of the total tax expenditure benefited such low-income families. With the increase in the tax thresholds, the child care credit will cease to benefit any of the working poor.

Two changes could make this credit of some value to the working poor. The first would be to raise the percentage of expenditures that can be credited from 30 to 50 percent for those in the lowest income brackets. The second would be to make the credit refundable. This would ensure that the working poor receive some benefit from this provision of the tax code once the Tax Reform Act of 1986 is fully implemented.

Reforms in state tax policy could also help the working poor. Tax thresholds for most state income taxes are far below the poverty thresholds. Increasing numbers of working poor are finding themselves with state tax liabilities. Between 1980 and 1983 the number of poor families that paid state income taxes increased by 30 percent.

States should take their cue from federal policymakers and raise the income levels at which families first begin to owe taxes to levels that are above the poverty thresholds. The next few years are a good time to undertake such reforms. The changes in federal tax policy will affect the income tax revenues of 44 states and force many to review their tax codes.[27] Thirty-four states will see their revenues increase as a result of the new federal law. A portion of this windfall should be directed at providing tax relief for the working poor.

Health Policy

Roughly 15 percent of the population has neither public nor private health insurance coverage.[28] Low-income workers and their families make up a large share of this population. Their situation contrasts sharply with the adequate medical protection provided to welfare recipients through the Medicaid program. While steps should be taken to provide the low-income working population with more adequate protection against large health expenditures, all of the mechanisms for accomplishing this objective have some serious drawbacks.

In the past few years, the strategy that has been followed has been to extend Medicaid benefits to increasing numbers of low-income persons who are not welfare recipients. The most recent, and potentially far-reaching, expansion of this sort was contained in the budget reconciliation act for fiscal year 1987 (PL 99-509). Under this legislation, states will have the option of extending Medicaid to all pregnant women, and children up to the age of five, who live in poor families.[29] Thus, Medicaid coverage need no longer be limited to those receiving AFDC, those living in certain family structures and those with large medical expenditures. However, many states may not be able to take advantage of this option because they do not have the resources to pay their share of the costs.

Recent legislation has also extended Medicaid coverage to families who lose their AFDC eligibility due to increased income from work or child support. The Deficit Reduction Act of 1984 (PL 98-369) lengthened the period of Medicaid protection for those with increased earnings from four to nine months and allowed states the option of an additional six-month extension. It was hoped that this would make welfare recipients more willing to seek jobs because they would know that they would not lose their public health insurance protection until they were well established in the workforce. The Child Support Enforcement Amendments of 1984 (PL 98-378) required states to extend Medicaid coverage for four months to those who lose their AFDC eligibility because of increased child support payments.

The strategy of extending Medicaid to increasing numbers of low-income persons raises a number of problems. First, it is a relatively expensive approach because Medicaid provides fairly comprehensive protection and few incentives for providers or patients to restrain their use of services. Second, this strategy raises questions of fairness; some low-income workers are given free Medicaid coverage because they do not have employer-provided health insurance, while others of equal means may have a less comprehensive work-related plan which requires a moderate employee contribution, coinsurance and deductibles. Third, those employers that offer group health plans may be tempted to drop them if a significant fraction of their workforce is eligible for an expanded Medicaid alternative.

One way of extending Medicaid to more of the low-income, uncovered population while minimizing these problems would be to permit those who do not have employment-related insurance to "buy into" Medicaid. Such participants would be required to pay a monthly premium as well as deductibles and coinsurance. The fees could be keyed to family income or could be set at flat rates as they are in private policies. Because of the expense involved, many may still choose to go without health insurance. The public costs of such a program could be very high if those who do opt to "buy in" do so because they have more serious health problems.

A second strategy for providing more adequate health insurance to low-income workers is to encourage more employers to offer health insurance plans, enrich the benefits of existing plans and extend them to dependents of their workers. This could be done through tax subsidies or regulation. The former may not be very effective because many of the employers who do not offer health insurance or who provide marginal policies are small firms, new firms or financially weak companies, all of which tend to have low or no tax liabilities.

Several recent policy initiatives have opted for the regulatory approach. The fiscal year 1986 budget reconciliation act (PL 99-272) requires businesses with more than 20 employees that have group health plans to extend coverage to the widows and divorced spouses and dependents of workers for three years; workers who have quit or been laid off can receive insurance for up to 18 months. Few may take advantage of these options because the participants must pay the full cost of the plan plus a 2 percent administrative fee. The fiscal year 1987 reconciliation act (PL 99-509) will extend health insurance coverage to more uncovered part-time workers. It requires employers that offer group policies to extend insurance to all employees who work more than 17.5 hours a week.

For the most part, the regulatory measures that have been enacted have been incremental. A more radical regulatory approach would require all employers to offer their employees a basic health insurance plan that met some minimal standards. The regulations would have to specify the proportion of the premium that would be paid by the employee, the provisions for family coverage, and the conditions under which an employee could choose not to participate. If the employee contributions were significant and the participation voluntary, many low-income workers might choose to go without insurance. If the employers had to pay a significant amount for this coverage, there could be disemployment and inflationary repercussions from such a mandate. Small firms, new firms and employers with high worker turnover would encounter difficulties meeting a mandate to provide a group health plan.

State insurance pools represent an alternative that could overcome some of these problems. Under this approach, each state would be required to establish an insurance pool that would provide health insurance to all workers who were not covered by employer-provided plans. The public insurance plans could vary from state to state and would provide only very basic hospital and major medical protection.

The pools could be supported by an employer-paid payroll tax similar to the unemployment insurance tax. This tax would be levied only on the wages of workers who were not covered by an employer-provided plan that met certain minimal standards. Thus, employers would have an incentive to provide their own policies. The tax rate could be kept at a moderate level if many of those whose wages were in the tax base did not actually utilize the insurance because they were covered under the more liberal policies of another member of their families. Over one-third of the workers who do not have employment-related health insurance are covered under a policy of a parent or spouse. The insurance provided through the state pools could be extended to those receiving unemployment benefits if these payments were subject to the new health insurance payroll tax.

Extending health insurance to more of the low-income working population is a difficult and expensive undertaking. It is difficult because of the complex way in which health insurance is currently provided. Employers, unions, voluntary organizations, individuals and government programs all play a role. New programs should not induce these players to reduce their current efforts. It is expensive because health care costs are very high. The health insurance enjoyed by most professional workers costs between $750 and $2,000 a year for the employee and more for family coverage. For some employers, such an expenditure may represent a prohibitive increase in the cost of labor, particularly for a low-skilled worker in an industry facing international competition. For the low-wage worker, struggling to make ends meet, the cost of health insurance may be equally unaffordable. While it is reasonable to expect both low-wage workers and their employers to bear part of the burden for health insurance, some public resources will have to be expended if adequate health protection is to be extended to a substantial fraction of the low-income working population.

Conclusion

The effort to reform the welfare system has focused attention on work and self-sufficiency. This is certainly a positive development. It reflects a renewed conviction that many welfare recipients can and should participate in the economic mainstream. It also reflects society's willingness to devote more resources to facilitate this participation.

However, the shining hope of self-sufficiency for welfare recipients should not blind us to the bleak reality faced by many low-income workers who are not welfare-dependent. Despite their best efforts, these workers and their families often lead lives with no more material comfort than that provided by a welfare check. They have been largely neglected by public policy which has focused on the dependent poor and the politically powerful middle-class.

Policies can be developed to assist this group who are striving to remain self-sufficient. These policies will not only help the working poor, but also will serve to motivate welfare recipients in their effort to become more self-sufficient.

Notes

1. All of the figures relating to the poor and near-poor are taken from the various annual issues of U.S. Bureau of the Census, *Current Population Reports*, "Characteristics of the Population Below the Poverty Line," Series P-60. Published data for families below the poverty thresholds are available through 1985; the latest published data for individuals and families below 125 percent of the poverty thresholds are available for 1984 (P-60, No 152 and 154).

2. It is important to remember that most persons who work at low-wage jobs are not considered poor, because they live in families in which other members have earned or unearned income.

3. Sheldon Danziger and Peter Gottschalk, "Work, Poverty and the Working Poor: A Multifaceted Problem," in U.S Department of Labor, *Monthly Labor Review*, September, 1986.

4. Barry Bluestone and Bennett Harrison, "The Great American Job Machine: The Proliferation of Low-Wage Jobs in the U.S. Economy", Paper prepared for the Joint Economic Committee of the U.S. Congress, December, 1986. The fractions of jobs that paid less than $7,012 (1984 dollars), which is about 85 percent of the poverty level for a family of three, were as follows:

	1973	1979	1984
All jobs	31.8%	30.4%	32.4%
Full-time, full-year jobs	5.4	4.1	6.0
Jobs held by worker, no H.S. diploma	44.3	47.7	53.6

5. All of the discussion of earnings in this paper assumes that the worker is paid for 2080 hours per year. For this to be the case, the worker would have to enjoy paid holidays, vacation time and sick leave. Many low-wage jobs do not offer such benefits.

6. This estimate does not include those who are working at full-time jobs that have reduced hours because of economic reasons. For an analysis of part-time workers see Thomas J. Nardone, "Part-time workers: who are they?," U.S. Department of Labor, *Monthly Labor Review*, February 1986, volume 109, Number 2.

7. Eight states have, as part of their income tax codes, sales tax credits for low-income taxpayers. Often, these credits are limited to the elderly and the participation rate is thought to be low. See Table 62 of Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism, 1985-86*, Washington, D.C. February 1986.

8. All of the estimates in this paper which refer to data for the years 1986 and beyond assume that the year-to-year rise in the CPI will be 2 percent for 1985 to 1986 and 3.5 percent for the following years.

9. The EITC was added to the tax code in 1975. In 1986, it provided taxpayers with dependent children with a credit equal to 11 percent of the first $5,000 earnings. The maximum credit of $550 was reduced by 12.22 cents for each dollar of adjusted gross income above $6,500. Thus, taxpayers with adjusted gross incomes above $11,000 were not eligible for the EITC in 1986.

10. This discussion relies on the excellent analysis of taxation of the poor by Eugene Steurle and Paul Wilson in "The Taxation of the Poor and Lower Income Workers," in *Ladders Out of Poverty: A Report of the Project on the Welfare of Families*, Jack Meyer, editor, American Horizons Foundation, 1986.

11. Daniel R. Feenberg and Harvey S. Rosen, "State Personal Income and Sales Taxes, 1977-1983," in *Studies in State and Local Public Finance*, Harvey S. Rosen, editor, National Bureau of Economic Research, University of Chicago Press, 1986.

12. Many low-wage workers who are not covered by health insurance through their place of work are covered by a work-related policy held by another member of their family. See U.S. Bureau of Census, *Current Population Reports*, "Characteristics of Households and Persons Receiving Selected Noncash Benefits: 1984," P-60, Number 150, Washington, November 1985.

13. Pamela J. Farley, "Who are the Underinsured?," *Milbank Memorial Fund Quarterly/Health and Society*, Volume 63, No. 3, 1985 provides estimates of the underinsured by income level and employment status.

14. In 1984, the per recipient expenditure was $875 for an AFDC adult and $412 for an AFDC child. See Committee on Ways and Means, U.S. House of Representatives, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1986 Edition*, WMCP: 99-14, March 3, 1986.

15. The Deficit Reduction Act of 1984 (PL 98-369) extended Medicaid coverage to first-time pregnant women, pregnant women in two-parent families in which the principal earner was unemployed and children up to five years old who were born after October 1, 1983 if they met the AFDC income and resource limits but were not eligible for AFDC because they did not meet other eligibility criteria.

16. Most low-income working families who become eligible for Medicaid under the "medically needy" classification are female-headed families. A restriction, which limits AFDC-U eligibility to two-parent families in which the principal earner works less than 100 hours per months, excludes most such working-poor families.

17. The estimates are for 1985. For the working family, they include federal income and payroll taxes, the EITC, state income taxes (1.98 percent average rate), food stamps and out-of-pocket medical expenses of $1,500. The resources available to the welfare family are taken from unpublished estimates prepared by the Committee on Ways and Means, U.S. House of Representatives.

18. The most recent national figures on the detailed characteristics of welfare recipients are for 1979. See, U.S. Department of Health and Human Services, "Aid to Families With Dependent Children: 1979 Recipient Characteristics Study: Part 1, Demographic and Program Statistics," Washington, D.C., March 1982.

19. The full-time, full-year earnings of a minimum-wage worker relative to the poverty threshold for a family of three for the 1960 to 1986 period were as follows:

1960	88.9%	1967	108.5%	1974	98.6%	1981	96.1%
1961	91.7	1968	118.7	1975	101.7	1982	90.6
1962	99.8	1969	113.8	1976	105.4	1983	87.8
1963	100.7	1970	107.4	1977	99.0	1984	84.2
1964	105.9	1971	103.1	1978	106.0	1985	81.3
1965	103.4	1972	99.7	1979	104.3	1986*	79.7
1966	98.4	1973	99.7	1980	98.2	*estimate	

20. The Congressional Budget Office, "The Minimum Wage: Its Relationship to Incomes and Poverty," Staff Working Paper, June 1986.

21. Gary Solon, "The Minimum Wage and Teenage Employment: A Reanalysis With Attention to Serial Correlation and Seasonality," *The Journal of Human Resources*, Volume 20, Number 2, 1985.

22. This plan has been proposed by Robert I. Lerman, "Separating Income Support from Income Supplementation," *The Journal: The Institute for SocioEconomic Studies*, Volume X, Number 3, Autumn 1985. For a full discussion of these types of plans, see David Betson and John Bishop, "Wage Incentives and Distributional Effects," in *Jobs for the Disadvantaged*, edited by Robert Haveman and John Palmer, The Brookings Institution, Washington, D.C., 1985.

23. All of these figures for 1988, the first year in which the full enhancement of the EITC will take effect, are estimates. The Tax Reform Act of 1986 specifies that the credit will apply to the first $5,714 of earnings and will be phased-out at incomes over $9,000. Both of these figures will be indexed for inflation occurring after August 31, 1984.

24. The proposed EITC rates would be 14 percent for one dependent child, 18 percent for two, 22 percent for three, and 26 percent for four or more.

25. This will be true for poor families with earned incomes of at least $10,537. To be poor, such families would have to have at least four members.

26. This credit will be referred to as the child care credit even though taxpayers are eligible for it if they have either dependent children under the age of 15 or dependent adults or spouses who are physically or mentally incapable of self-care.

27. Based on unpublished table prepared by Carolyn Lynch, Advisory Commission on Intergovernmental Relations, December 3, 1986.

28. The U.S. Census Bureau's Survey of Income and Program Participation (SIPP) found that, during the third quarter of 1985, 13.5 percent of the population had no insurance coverage. Of those under age 65, 15.2 percent were uninsured. In 1983, when the unemployment rate was higher, 17.1 percent of the non-aged population lacked health insurance.

29. The benefits for pregnant women would be limited to pregnancy-related services and would end 60 days after birth. Coverage for young children would be phased in by including only children born after October 1, 1987.

Senator **Bradley**. Mr. Lerman, would you say once more, succinctly, what are your thoughts on child support assurance?

Professor **Lerman**. My first comment on the medical?

Senator **Bradley**. If you disagree.

Professor **Lerman**. No. I just wanted to extend the point that I mentioned regarding the health area. I think, there, what we don't want to do is extend a welfare-oriented system, it seems to me. Rather, we want to move to a more mainstream system, so that even people on welfare may seem like they are in types of programs—HMO's and insurance-type plans—that working people are in.

My proposal for dealing with that is to have states have a range of providers, as employers do now. And then when people get jobs, they would pay a part of the premium, as Bob mentioned, but that we could perhaps finance a good deal of this by having a contribution from those employers who don't now provide health insurance.

Now, many times in states, what we do is, to cover the uninsured we have these pools that current employers who provide health insurance have to contribute more. Their insurance rates go higher. So, I think that that would be one way of handling it. Still, the details need to be worked out.

As far as the child support assurance, the basic idea—you are familiar with the Wisconsin model, I presume.

Senator **Moynihan**. Yes, we are.

Professor **Lerman**. Well, I applaud the Wisconsin model. I hope it goes forward. I like it. The one thing that I am a little hesitant about is the fact that for one child the assured benefit is $3000. Now, they also have a provision which says that the father, the absent father, must pay, if he has one child, 17 percent of his earnings. And that would require that that absent father make something like $18,000 a year. Now, that is well above what, say, 30–40 percent of such fathers make, and I think that changes the nature of the program.

What you want to tell people regarding this program is:

> Here is a program which pays people an assured benefit, only to the extent that the state has failed to either establish paternity, to establish an agreement, or to collect the payment.

Now, if you set the benefit very high, what you are saying is, "Well, we are also making an income-supplement program out of it." In other words, "We aren't collecting it just because we failed to collect; because, even at realistic levels of what he would earn, we wouldn't have collected that much." That was my only amendment to the Wisconsin model.

Senator **Bradley**. But you are not advocating lowering the percentage?

Professor **Lerman**. No, not lowering the percentage, but not trying to do everything with the assured benefit. I think we need this combination approach.

Senator **Moynihan**. I would like to spend another hour with the three of you, but two distinguished governors have arrived, dug out of their various snowbanks, and we have our very good friend Gerald McEntee here.

Don't go away. I am going to ask each of you if you would do something for the committee.

The largest new source of revenue, coming out of Mr. Mead's notions in "Beyond Entitlement," and so forth, is this whole question of child assurance that Senator Bradley was just talking about.

Would you write us a judgment of what we could realistically expect to pick up in revenue if we really start getting serious about this, and giving states standards that they have to meet, and how you might suggest it could be done? We have to be realistic about our budget situation. And also, we are not doing this just as a matter of funds; we are doing it as a statement of principle. I mean, if you bring children into the world, you have responsibility for them.

I have a dear friend who was President Johnson's principal advisor on educational matters. He recently said that in their family the rule is, "By the time you are 40, you're on your own and out of the house." But they are not sure they are going to pull it off. [Laughter.]

Gentlemen, we thank you very much.

I see Senator Danforth is here, because his distinguished Governor has arrived as well.

Would Governor Kean and Governor Ashcroft be generous enough to let Mr. McEntee testify first? He has been here most of the morning, and I know you know him, and I am sure you will want to hear what he has to say.

Senator Danforth?

Senator Danforth. No, I just wanted to say a word about Governor Ashcroft, Mr. Chairman, but another witness is coming first, and I will just wait in line.

Senator Moynihan. That is very generous of you.

And a very good morning.

STATEMENT OF GERALD W. McENTEE, PRESIDENT, AMERICAN FEDERATION OF STATE AND COUNTY MUNICIPAL EMPLOYEES, WASHINGTON, DC

Mr. McEntee. Good morning.

Mr. Chairman, I know you want everyone to be brief, and when I see that red or yellow light come on, I want everyone to understand that I am also here for Bob McGlotten, who is late, so I have the proxy of the AFL/CIO with me today, and I would hope that that would, in essence, give me a few more minutes, Mr. Chairman.

Senator Moynihan. I just thought how much luckier you are than if you were appearing before the Supreme Court. When the red light goes on at the Supreme Court, they just get up and walk out.

Mr. McEntee. I just don't want to be hooked.

Senator Moynihan. No, sir.

Mr. McEntee. I want to stress at the outset that effective and equitable welfare reform requires an active federal role and a major commitment of federal resources. It would be ironic if a lack of will to make the necessary investments jeopardized welfare reform, because consensus seems to be, for the first time, emerging around some key policy objectives, among them the importance of work opportunities.

This is appropriate, since family economic independence is the desire and goal of public officials, welfare recipients, indeed, all Americans.

In addition, our nation's future productivity may well depend on our willingness to make significant human capital investments in our welfare population. By the year 2000, we could be facing a labor shortage, with much of our labor force growth occurring among minorities, immigrants, and women. These groups are more prone to ending up on welfare sometime during their lives and lack the skills needed for the jobs of the future.

Therefore, we urge you to adopt a comprehensive and flexible education, employment and training program, based on individual assessments. It should give the states considerable latitude to establish a wide variety of activities, including job placement, remedial and vocational education, and job training.

A welfare/work plan also needs a strong family-support strategy. The potential loss of health coverage and the lack of child care and transportation can rule out work as a viable or rational choice in many cases.

One issue likely to generate considerable debate will be whether individuals should be required to participate in work and in training.

AFSCME opposes mandatory work requirements. Voluntary participation is better, for several reasons.

First, success is more likely if we start out by doing a good job with a manageable number of motivated volunteers. A successful program, in turn, will attract more volunteers and political support for program expansion. That is the lesson of ET in Massachusetts and Headstart at the federal level.

Second, a mandatory participation requirement for mothers of young children can end up hurting the children the most. Even though many women with children work, it is not easy to juggle parental and job responsibilities. The fragility of child-care arrangements, frequent early childhood illnesses, and unsympathetic employers can put a mother in the untenable position of choosing between economic security and the wellbeing of her children.

Welfare-dependent families are especially vulnerable during such times, because they do not have the resources to fall back on that better-off families have.

We already have a serious shortage of safe, affordable, and accessible childcare in the country; it would be tragic to overburden an already fragile childcare infrastructure. Doing so could lead to inferior placements or, worse yet, a growth in latchkey arrangements.

Finally, there is a further danger that mandatory participation rules, combined with a strong emphasis on placements, could lead to the more limited and expedient approaches of job search and welfare. This is even more likely if the employment and training services are underfunded.

AFSCME supports real training programs, with a limited work-experience component, that offer a chance for paid jobs with a future. We also support subsidized jobs that give participants employee status, with wages, benefits, and rights equal to those of comparable nonsubsidized employees. But we do not support workfare programs in which recipients of government assistance work in exchange for their grants without the benefits and dignity that go along with being an employee.

For one thing, this approach sends the wrong message about work. It makes work a punishment instead of an opportunity. An unskilled welfare recipient forced to work off his or her grant may satisfy certain political objectives, but his or her prospects for escaping a life of welfare dependency are not very good.

Workfare also creates pressure to substitute and displace permanent jobs with decent wages and benefits. AFSCME has had considerable experience with subsidized work activities under CETA and Workfare. I can tell you that substitution is very hard to prove, even when you know it is happening. We have won several arbitration awards.

In general, though, litigation has not proven to be a timely or satisfactory way of enforcing statutory protections against substitution. A 1986 court case in Lackawanna, New York demonstrates the problem. The case involved 26 laid-off employees, and one of them even went on welfare and was assigned to work off his grant doing the same kind of maintenance work he had performed as a city worker for three years. The judge, however, was persuaded that management's claims of previous overstaffing and a revenue shortfall due to the closing of a Bethlehem Steel plant were evidence that the town had not substituted in that case.

Mr. Chairman, I want to call your attention to the affidavit of Samuel Chini in that case; it is attached to our testimony and speaks forcefully to the unfairness of Workfare.

Despite losses in the courts, AFSCME believes that substitution is inevitable. This is especially true where a large program exists for a long time. The result is a policy that creates a working underclass, further erodes decent paying jobs, exchanges one group of low-income and unemployed people for another, and diminishes the quality of public services through the recycling of people in and out of public work.

If the substitution effect can be elusive, there can be no doubt that Workfare creates a working underclass in the public sector. Essentially, it is CETA on the cheap. The so-called "pay" for PWP workers in New York City was established more than 10 years ago and has never been raised. It is about half the hourly rates of their Civil Service counterparts. In addition, PWP workers have no job rights, no benefits, and no access to the grievance procedure like other workers.

The courts have consistently denied Workfare workers the right to wages, benefits, and bargaining unit representation because they are not "employees," even though they perform regular entry-level work for that employer. It is ironic that many who attacked CETA for creating make-work dead-end jobs today claim that Workfare provides useful public services and enhances the dignity of the participant. The fact is that in San Diego, New York, and West Virginia many of the Workfare slots used to be CETA slots.

Perversely, it seems, only a job with equal pay and benefits is "make-work." That makes no sense. If a job is worth doing, the people doing it deserve equal treatment.

Mr. Chairman, an alternative strategy of intensive training and education of course is much more costly and complicated than Workfare and Jobsearch, and the job placement payoff may not be as quick; but in the long run, the basic objective of helping welfare recipients achieve economic independence requires a strong focus on education, skill development, support services, and placement in unsubsidized jobs. And to the extent that government money is used to subsidize work activities, an equitable, rational welfare work plan also requires enforceable anti-substitution protections and a recognition that work assignments are worthwhile through the provision of employee status with equal pay, equal rights, and equal benefits.

Thank you very much.

Senator **Moynihan**. One of the problems with Gerald McEntee is, he is often ambiguous—have you noticed that?

Senator **Bradley**. You never know where he stands.

Senator **Moynihan**. You never know where he stands on some of these things. [Laughter]

Well said.

Senator Bradley?

Senator **Bradley**. Thank you, Mr. Chairman.

Thank you so much for your testimony, Mr. McEntee. Are you familiar with the Work Opportunities Retraining Compact which was introduced last year in the Senate by Senator Moynihan and in the House by Congressman Levin, with the Senator from New Jersey as the prime cosponsor and Congresswoman Kennelly in the House as the lead co-sponsor?

Mr. **McEntee**. Specifically? No.

Senator **Bradley**. It provided work and education and child care in a match program, but it left the option open for the state, if it chose to, to attach some work requirements to it. Are you opposed to any flexibility on the work requirement issue left with the state—not a federal requirement, but left with the state?

Mr. **McEntee**. I guess we are kind of afraid of it. First of all, we think it should be voluntary, and then we are kind of afraid that it builds up such major expectations; it is going to be able to place all of these people in a relatively short period of time. And that kind of frightens us, those great expectations.

We would rather see a voluntary program, and the voluntary program would almost provide a step-at-a-time kind of process and not raise the expectations of these people.

Senator **Bradley**. Did you hear the testimony of Mr. Mead which immediately preceded your testimony, where he made the point that he felt the obligation requirement was central to moving people up to a higher income level, that many wouldn't seek the education and training if it wasn't a requirement that they seek it?

Mr. **McEntee**. It is not a requirement in Massachusetts, I don't believe, with their ET program. And I don't know that that has to be an essential part of the program, that it is mandatory. We think, with a voluntary program—we think the people basically do want to work, that basically they do want those jobs, and that you will have, more volunteers than you can handle.

Senator **Bradley**. All right.

One last question, and that is: Do you have any thought for us about the Medicaid eligibility and how someone who reaches a certain income level suddenly drops off Medicaid eligibility, and you have a class of workers who are $2-3-4-5000 the other side of that cutoff, and there appears to be a real disparity between the health care provided for the two groups? Do you have any thoughts about the Medicaid trade-off?

Mr. McEntee. I just think it would frighten the hell out of those people, and that they would rather remain on welfare rather than give up that kind of protection. That is such an essential component in developing an entire program.

Senator Bradley. Thank you very much.

Senator Moynihan. Thank you.

Senator Danforth?

Senator Danforth. No questions, Mr. Chairman.

Senator Moynihan. Can I say, sir, first of all, we appreciate very much your proposition about state latitude. I mean, we have had a succession of governors coming in with really extraordinary, new, interesting programs they want to put in place, and what they are asking for is that we give them the opportunity to experiment, and with an understanding that you are not going to pull up that sapling every six months to see if the roots are growing, that it is going to take some time. It is going to take some waivers, it is going to take some patience, and it is going to take some good humor.

This onetime Assistant Secretary of Labor is very much aware of this question of substitution. And I see Mr. Chini's affidavit here. He was working for the City of Lackawanna, got laid off, and the next thing you know he was back in the same job at the City of Lackawanna, only without the rights and without even being an AFSCME member.

One of the things to be noted, sir, is that now in the fourth of five hearings we have heard a great many things in this room in the past six weeks. No one has come down here with that old talk about, "They've got to work," and, "They are lazy," and, "They won't," and, "They will." I mean, that is not the way we are thinking about this. We are not talking that way, we are not thinking that way.

We absolutely agree with you that the idea that you have to make people work is so fundamentally wrong; and yet, we want to give them the opportunity to work. People want to work.

The proportion of the population in the workforce today is the highest it has been in American history. How many are actually in the workforce? Sixty-four percent. We have never had that before. For a long time there was what the economists used to call "the great ratio," that from 1900 when everybody was on a farm to 1960 when nobody was on a farm, from 1910 when kids worked in coal mines to the time when nobody worked in coal mines, some 57 percent of the population was in the workforce. Then suddenly this has gone up to 64, like that. And be assured we are with you on these matters.

Mr. McEntee. The Senator from West Virginia hit on a very important point: What do you do in a State like West Virginia where you train these people, and in the private sector there just aren't the jobs to absorb these people? What concerns us in that regard is that, if it is a program of such great expectation, then there is this movement of these workers because of no jobs in the private sector into the public sector, which will cause a measure of substitution.

In New York City, for example, we have had 5-10,000 people doing the exact same jobs of civil service workers that are working off their grants in terms of welfare. We don't argue with the movement into the public sector, but if the job is there, and if the job is worthwhile, then pay the people the rates of the job and the benefits.

Someone was talking about the morale of just working. Well, I would like to reverse the coin a little bit and talk about the morale of the person that is working off the welfare grant, and working next to somebody who is paid about $5 more an hour, with a health plan, with a union representing them, and with fringe benefits. And, because they are something else or something different, they are paid at this other rate, whatever that happens to be.

Senator MOYNIHAN. That is bad labor policy, bad management policy, bad welfare policy, bad social policy.

Mr. McENTEE. Bad national policy.

Senator MOYNIHAN. And bad national policy.

We thank you very much, sir.

Mr. McENTEE. Thank you, Senator.

Senator MOYNIHAN. And give my regards to Bob McGlotten. I gather he is under a snowbank somewhere.

Mr. McENTEE. He is under the snow.

Thank you.

Senator MOYNIHAN. Thank you very much for being here.

[The written prepared statements of Mr. McEntee and Mr. McGlotten follow:]

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TESTIMONY OF

GERALD W. McENTEE, INTERNATIONAL PRESIDENT
AMERICAN FEDERATION OF STATE, COUNTY
AND MUNICIPAL EMPLOYEES

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

OF THE

SENATE COMMITTEE ON FINANCE

ON

"WELFARE: REFORM OR REPLACEMENT?"

FEBRUARY 23, 1987

in the public service

Mr. Chairman, my name is Gerald McEntee, and I am President of the American Federation of State, County and Municipal Employees (AFSCME). I am pleased to have the opportunity to appear here today on behalf of AFSCME's 1.1 million members across the country.

Many of AFSCME's members help run America's welfare system. They are on the front line every day coping with complicated rules, heavy caseloads, and the personal despair of poverty. Thousands more staff the employment service offices which have played an important role in the work incentive (WIN) program. Many others are only one step beyond poverty themselves, having left the welfare roles during the great expansion of state and local government services from 1965-1980.

As taxpayers, AFSCME members deplore a welfare system that fosters dependency. They know that people want to work for a living and believe that welfare recipients who are able to work should be helped to get and hold a job.

AFSCME has had a longstanding commitment to employment and training assistance as one of the best ways to give the unemployed an opportunity to compete in the marketplace and to work at decent jobs. The union was instrumental in restoring WIN funds in 1982. We worked hard for the 1983 jobs stimulus legislation with its $200 million Title XX increase that restored some of the day care services for working parents that were lost in 1981. AFSCME leaders also have been heavily involved in the state welfare-to-work experiments launched under the WIN demonstrations.

At the same time, because AFSCME represents employees who provide government services and who can be affected by them, we have sought to protect our members from adverse impacts from government jobs programs. Thus, we supported the Comprehensive Employment and Training Act public service employment program while also seeking to protect the job security, employment rights and benefits of public employees. We have had the same objectives with the WIN demonstration projects.

Welfare reform is once again on the national agenda. This time we are just beginning to emerge from an anti-government period that is unprecedented since the Great Depression.

I want to stress at the outset that effective and equitable welfare reform requires an active federal role and a major commitment of federal resources. President Reagan's proposal for state demonstrations is a copout. It ducks the obvious need for a complex strategy requiring significant new investments. Worse yet, these "welfare reform" experiments look like a further step toward finishing off many major federal domestic programs by devolving them to the states.

"New Federalism" proposals such as those in legislation advanced by Senator Evans and Congressman Downey, seek to raise money for AFDC improvements by turning back to the states such federal programs as mass transit, community development, and pollution control. This approach merely passes the buck to the states to raise money for programs which, in fact, are necessary complements to AFDC reforms to help reduce dependency.

After six years of federal retrenchment and four years of "economic recovery", poverty and unemployment are intolerably high in many parts of the country; most newly-created jobs pay near-poverty-level wages, and the states, which have shouldered ever increasing federal responsibilities, have growing fiscal pressures of their own. Clearly, we need more aggressive federal leadership. Indeed, recent polls show a growing public willingness to support an activist government again.

It would be ironic if a lack of will to make the necessary investments jeopardized welfare reform because there appears to be a consensus emerging around some key policy objectives. Among them is the need to promote family stability and responsibility. AFSCME supports achieving this goal through more effective child support enforcement, extending AFDC to all two-parent families, and establishing a national benefit standard to assure a minimum level of economic security for poor children and their parents.

"Work", the subject of today's hearing, is a major focus of the current welfare reform debate. This is appropriate since family economic independence is the desire and goal of public officials, welfare recipients, indeed all Americans.

The demographics of the welfare population and future labor force trends make it imperative that an AFDC work strategy create the kind of comprehensive and flexible education and training program needed for a productive workforce. A singular focus on punitive work requirements must be avoided.

Recent research clearly shows how diverse the poor are. For example, we know that there is a high rate of normal caseload turnover. Half of all welfare cases end in less than two years. Only one-sixth of all welfare cases last eight years or more. Although those who live in urban welfare ghettos are highly visible, they make up only a small percentage of the AFDC population. In fact, the persistently poor are more likely to be found outside large urban areas.

If the demographics of the AFDC population are not persuasive enough, I would call your attention to the fact that by the year 2000 we could be facing a labor shortage. And much of our labor force growth will be among minorities, immigrants, and women -- groups which are more prone to ending up on welfare sometime during their lives. They also lack the skills needed for decent jobs and face discrimination in the workplace. At the same time, however, future jobs will continue to require higher skills and be in the service sector.

In short, Mr. Chairman, the welfare population of today may be a mainstay of our workforce tomorrow. Our nation's future productivity may well depend on our willingness to make significant human capital investments in this welfare population.

With these facts in mind, we urge you to adopt a flexible employment and training program based on individual assessments. It should give the states considerable latitude to establish a wide variety of activities, including job placement, remedial, and vocational education, and job training. Job placements should not be the only measure of program success. Equally important, especially for long-term recipients, is educational advancement.

A welfare work plan also needs a strong family support strategy since the entire family is affected when the parent leaves home to work, go to school, or participate in training. The potential loss of health coverage and the lack of child care and transportation can rule out work as a viable or rational choice in many cases.

In the health area, in particular, we need to work on ways to bridge the gap between Medicaid and employers with coverage. Congress took an important step in this direction last year by allowing states to offer Medicaid to pregnant women and children up to the age of five in families below the poverty line. We should mandate and broaden this coverage.

One issue likely to generate considerable debate will be whether individual participation should be voluntary or mandatory. Increased workforce participation by women and the concept of reciprocal obligations are today's justifications for mandatory participation rules.

AFSCME opposes mandatory work requirements. Voluntary participation is better for several reasons.

First, success is more likely if we start out by doing a good job with a manageable number of motivated volunteers. A voluntary program can allow and challenge the states to strive for excellence instead of forcing them to focus on how to meet a legal requirement to serve all or a certain percentage of the eligible population with what is likely to be limited funding. A successful program, in turn, will attract more than enough volunteers as well as political support for program expansion. That is the lesson of ET in Massachusetts and Head Start at the federal level.

Second, a mandatory participation requirement for mothers of young children can end up hurting the children the most. Even though many women with children work, it is not easy to juggle parental and job responsibilities. The fragility of child care arrangements, frequent early childhood illnesses, and unsympathetic employers can put a mother in the untenable position of choosing between economic security and the well-being of her children. Welfare dependent families are especially vulnerable during such times because they do not have the resources to fall back on that better off families have. A mandatory rule could well push these mothers into choices that are detrimental to their children's interests.

Especially critical for AFDC mothers is child care. We already have a serious shortage of safe, affordable, and accessible child care. In fact, the gap between supply and demand is overwhelming in some places. For example, the Cambridge-based Child Care Resource Center estimates that there are 124,000 licensed child care spaces in Massachusetts to accommodate 500,000 children.

Giving mothers the right to opt out of a mandatory program if adequate child care is not available will not provide adequate protection. It is not realistic to expect a mother to risk losing family income to assert what in practice becomes a very nebulous right. Defining acceptable child care is difficult. Is having a 13 year-old take care of a younger sibling acceptable? We have heard of this being proposed in one California county recently.

Political and budgetary pressure to produce high participation rates or caseload reductions could lead to inferior child care placements, or worse yet, a growth in latchkey arrangements.

It would be a tragedy to overburden what already is a very fragile child care infrastructure. Doing so could cause a dumping of children into totally unacceptable arrangements in much the same way deinstitutionalization has dumped the mentally ill into unsafe homes and into the streets.

Finally, there is a further danger that mandatory participation rules combined with a strong emphasis on placements could lead to the more limited and expedient approaches of job search and workfare. This is even more likely if employment and training services are underfunded.

Job search has limited value for people who need remedial education or training, or who live in high unemployment areas. At its worst, it is used as a way to force people off the rolls through onerous employer contact requirements.

Workfare forces welfare recipients to work off their grants at a rate equal to the minimum wage without employee status, benefits, or job rights. Failure to do so results in denial or reduction of the welfare grant.

AFSCME supports real training programs with a limited work experience component that offers a chance for paid jobs with a future. We also support subsidized jobs that give participants employee status with wages, benefits and rights equal to those of comparable nonsubsidized employees. But we do not support programs in which recipients of government assistance work in exchange for their grants without the benefits and dignity that go along with being an employee.

For one thing, this approach sends the wrong message about work. It makes work a punishment instead of an opportunity. A welfare recipient forced to work off her grant who can barely read, who has virtually no work skills, and who gets child care, medical care, and transportation from the government instead of earning the money for them on a regular job, may satisfy certain political objectives. But her prospects for escaping a life of welfare dependency are not very good.

Workfare also creates pressure to substitute and displace permanent jobs. The problem with substitution, however, is that it's very hard to prove even when you know it is happening. We have grappled with the substitution problem under CETA and general assistance for years. It is very hard to isolate the effect of the workfare program from other factors that influence personnel decisions and staffing patterns.

Nonetheless, we have won some significant arbitration awards, the most recent in Pennsylvania in 1985. In that instance, the state, which had assigned approximately 1,000 CWEP participants to AFSCME bargaining unit positions, was ordered to remove CWEP participants from work such as filling potholes, opening mail, and processing AFDC case files that would have been done in the absence of the CWEP participants.

In general though, litigation has not proven to be a timely or satisfactory way of enforcing statutory protections against substitution. A 1986 court case in Lackawanna, New York demonstrates the problems involved in proving substitution. The case involved 26 laid off employees. One of them even went on welfare and was assigned to work off his grant doing the same kind of maintenance work he had performed as a city worker for three years. The judge rejected AFSCME's allegations of substitution. He was persuaded that management's claims of previous overstaffing and a revenue shortfall due to the closing of a Bethlehem steel plant were evidence that the town had not substituted. Substitution aside, the equity issues this situation raises should not be ignored.

We believe, however, that substitution is inevitable and that permanent jobs with decent wages and benefits will be lost in the process. This is especially true where a large program exists for a long time. So what do we accomplish? The result is a policy that creates a working underclass, further erodes decent paying jobs, exchanges one group of low income and unemployed people for another, and diminishes the quality of public services through the recycling of people in and out of public work.

In this regard it's important to remember that AFDC is not the only program under which workfare can be created. State general assistance and food stamp programs also make workfare assignments. A nationwide survey of the status of workfare conducted by AFSCME last year indicated that 28 states had an AFDC workfare component; 8 states had a food stamp workfare requirement, and 19 states had general relief workfare programs. (See attached) So, AFDC workfare does not occur in a vacuum, and at the local level the effect is cumulative.

One of the larger workfare type programs is the Public Works Project (PWP), in New York State. New York City has run a PWP project for more than 10 years. Today it has about 15,000 participants;, 9,600 are home relief recipients and 5,400 are on AFDC.

While we do not have the investigative capacity to do a full scale analysis of the city's budget, personnel patterns, or the work performed by the PWP workers, we do know several things that, at the very least, look suspicious. For example, there is a civil service classification called pest control aide. No regular employees work in this job, but there are 527 PWP pest control aides who perform necessary public health duties.

Just over half of the PWP workers are in two PWP titles: Clerical Aide and Custodial Aide. Their sheer number is mind-boggling. In 1986 there were approximately 7,900 regular full time office aides in city agencies and more than 4,400 PWP clerical aides in city agencies. In the same year, there were 1,881 city custodial assistants and 3,539 PWP custodial aides working in city agencies. Even assuming that three part-time PWP participants equal one full-time worker, the ratio of PWP workers to regular city employees is very high.

With such a large number of PWP workers in low-level functions, only one of two possibilities would seem to be occurring. Either displacement is taking place or the PWP workers aren't being used productively. We have, in fact, some documented evidence of substitution among custodials in a memo last fall from the Deputy Administrator of the Human Resources Administration's Administrative Services Unit. Based on the number of custodials then employed by the city, each cleaner's workload should have been much more than is customary workload. But the memo indicates that the actual amount of work per custodial was less than the ratio indicated "because of the deployment of PWP personnel".

If the substitution effect can be elusive, there can be no doubt that workfare creates a working underclass in the public sector. Essentially, it is CETA on the cheap. The so-called "pay" for PWP workers in New York City was established more than 10 years ago and has never been raised. It is about half the hourly rate of their civil service counterparts. (See attached) In addition, PWP workers have no rights, benefits or access to grievance procedures.

AFSCME District Council 37 has sought to represent the PWP workers without any success. Significantly, while the arbitrator in Pennsylvania agreed with AFSCME District Council 13 on substitution, he rejected their attempt to represent the CWEP workers and get the full benefits of employee status for them. In both cases, the workfare workers were denied the right to wages, benefits and representation because they were not "employees" -- even though they performed regular entry-level work.

It is ironic to us that many who attacked CETA for creating make-work deadend jobs, today claim that workfare provides useful public services and enhances the dignity of the participant. The fact is that in New York, San Diego, and West Virginia, many of the workfare slots used to be CETA slots. Perversely, it seems, only a job with equal pay and benefits is make-work. That makes no sense. If a job is worth doing, the people doing it deserve equal treatment.

As for the much-touted value of workfare as a way to provide training or experience and to save money by facilitating the transition off welfare, at best the evidence is limited. Indeed, workfare can even be counterproductive in that regard. A 1985 study by AFSCME's New York Civil Service Employees Association of the PWP program found actual cases of supervisors trying to block participants' efforts to find jobs. The supervisors wanted to keep these valuable workers who were "free". Clearly, that Lackawanna worker wasn't getting training or experience by doing the same work on a workfare assignment. The high turnover rate in the New York City PWP program strongly suggests that there is inadequate supervision and not much useful training.

The Manpower Development Research Corporation claims that job search and workfare result in some statistically significant employment gains. These gains are not worth the potential for displacement of regular employees by unpaid workers especially when other studies show better results with public service employment or programs with intensive training and education components.

A strategy of intensive training and education, of course, is much more costly and complicated than workfare and job search, and the job placement payoff may not be as quick. But in the long run the basic objective of helping welfare recipients achieve economic independence requires a strong focus on education, skill development, support services, and placement in unsubsidized jobs. And, to the extent that government money is used to subsidize work activities, an equitable, rational welfare work plan also requires enforceable anti-substitution protections and a recognition that work assignments are worthwhile through the provision of employee status with equal pay, rights and benefits.

Ultimately, however, even the best employment and training program will be limited by the environment in which it operates. Recession, technological change, trade policies, lagging wages and discrimination all limit what training programs can do. We need a high employment economy to produce jobs for trained people. We need to raise the minimum wage so that a family of three does not stay poor even when the wage earner works 40 hours a week. And we need to move aggressively against discriminatory employment practices that limit earnings and career potential.

Unless we address these economic factors and define our objectives carefully and realistically, we will doom another federal program to political failure.

ATTACHMENT A

Status Report—Workfare Program States
May, 1986

Workfare Targeted at Recipients of:

State	General Assistance (GA)	AFDC	Food Stamps**	Coverage—Comments
Alabama	No GA Program	Yes		Optional to counties; operating in 3 counties.
Arizona	No	No		WIN Demonstration Project—does not include workfare component. Workfare under consideration. Operating in 2 counties.
Arkansas	No GA Program	Yes*	Yes	WIN Demonstration Project operating in 22 counties.
California	Yes	Yes*		General assistance workfare limited to San Diego County. New AFDC program (GAIN) has workfare component.
Colorado	No	Yes		Operating in 25 counties.

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*State is operating an AFDC WIN Demonstration Project which includes a workfare component.

**Food Stamp Security Act of 1985 (P.L 99-198) requires states to establish an employment and training program by April 1, 1987 for employable but unemployed Food Stamp Program recipients. States have the flexibility in determining the program components. States may include one or more of the following activities: job search, training, community work experience (workfare) programs that do not displace paid employees and that extend the same work conditions and benefits received by regular employees performing comparable tasks, and other permitted programs or activities. Minimum recipient participation standards are to be set for each state.

- **Sources:** —State Workfare Status Report, Jobs Watch, December, 1982.
  —Work Program Status Report, Office of Family Assistance, U.S. Department of Health and Human Services, January 1, 1986.
  —1982 Characteristics of General Assistance Programs, Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, May, 1983.
  —Contacts with AFSCME and state officials, January-April, 1986.

AFSCME
Public Policy Department
May, 1986

State	General Assistance (GA)	AFDC	Food Stamps**	Coverage—Comments
Connecticut	Yes	No		GA workfare mandatory statewide. New AFDC program excludes workfare.
Delaware	No	Yes*		AFDC workfare is mandatory for certain categories of recipients.
District of Columbia	No	No		Workfare legislation for GA and AFDC recipients before City Council.
Florida	No GA Program	No	Yes	Mandatory, statewide AFDC and FS workfare bill has been introduced in state legislature.
Georgia	No	Yes*		WIN Demonstration Project operating in 7 counties.
Hawaii	Yes	No		GA workfare mandatory statewide.
Idaho	No GA Program	Yes		Mandatory AFDC workfare statewide.
Illinois	Yes	Yes*	Yes	New program has mandatory, statewide workfare component for GA and AFDC.
Indiana	Yes	No		GA workfare optional to counties.
Iowa	Yes	Yes*		GA workfare optional to counties. Mandatory AFDC workfare for unemployed parents operating in 49 counties.
Kansas	Yes	Yes		GA workfare mandatory statewide. AFDC workfare operating in 19 counties.
Maine	Yes	No		GA workfare mandatory statewide.
Maryland	Yes	No		GA workfare operating in three counties.
Michigan	Yes	Yes*		Statewide GA and AFDC workfare.
Minnesota	No	Yes		AFDC workfare operating in 8 counties.
Montana	Yes	No		GA workfare operating in 20 counties.
Nebraska	No GA Program	Yes*		AFDC workfare limited to Unemployed Parent cases.
New Hampshire	Yes	No		GA workfare optional to counties.
New Jersey	Yes	No		GA workfare mandatory statewide.

State	General Assistance (GA)	AFDC	Food Stamps**	Coverage—Comments
New Mexico	No	Yes		AFDC workfare limited to a few counties.
New York	Yes	Yes*		GA workfare (Public Work Project) authorized statewide. New AFDC program may include workfare component.
North Carolina	No GA Program	Yes	Yes	Mandatory AFDC workfare program operational in 12 counties.
North Dakota	No	Yes		Mandatory AFDC workfare program operational in 11 counties.
Ohio	Yes	Yes		Mandatory AFDC workfare program in eight counties.
Oklahoma	No	Yes*		AFDC mandatory workfare component in WIN Demo. operating statewide.
Pennsylvania	Yes	Yes*		Mandatory GA and AFDC workfare component in WIN Demo. are statewide.
Rhode Island	Yes	No		GA statewide workfare program.
South Carolina	No	Yes	Yes	AFDC mandatory workfare program operating in two counties.
South Dakota	No	Yes*	Yes	AFDC workfare component in WIN Demo. operating statewide.
Utah	Yes	Yes		GA mandatory workfare operating statewide. AFDC mandatory workfare for unassigned WIN mandatories.
Vermont	No GA Program	Yes		AFDC workfare mandatory for unemployed parents active 6 months or more.
Virginia	Yes	Yes*	Yes	Mandatory for GA. AFDC workfare component in WIN Demo. is statewide.
Washington	No	Yes	Yes	AFDC mandatory workfare operating in two counties.
West Virginia	No	Yes*		Mandatory AFDC workfare component operating statewide.
Wisconsin	Yes	Yes	Yes	State legislature has enacted pilot AFDC program with a mandatory workfare component. Limited to two or more counties.

ATTACHMENT B

AFFIDAVIT

STATE OF NEW YORK)
COUNTY OF ERIE) ss:
CITY OF LACKAWANNA)

SAMUEL J. CHINI, being duly sworn says that he resides at 68 Jackson Avenue, in the City of Lackawanna, New York.

He further states that to the best of his knowledge and belief that:

1. I had worked three years for the City of Lackawanna's Department of Public Works (D.P.W.) from 1980 thru March 1983; I was a Sanitation Laborer within D.P.W. and performed all types of tasks such as sweeping, cleaning and entry-level janitorial duties.

2. I was a member of Local 1205 AFSCME (AFL-CIO) prior to my lay-off in March 1983.

3. After my lay-off I collected unemployment insurance for 34 weeks, and continued to look for work thereafter. I waited about three to four months before filing for welfare at the Rath Building in Buffalo, New York; I reluctantly filed for welfare after job-seeking proved unsuccessful and after my unemployment insurance had run out.

4. At the time I filed for welfare I was informed that I would have to sign up for the "Workfare" program, i.e.- if I did not work as they assigned me I would be cut from the welfare rolls. Welfare payments come to $139.00 bi-monthly (plus Medicaid). I am required now to work 10 days per month and have been assigned to work for the City of Lackawanna.

5. Under "Workfare" I have been required to report to the City of Lackawanna's Janitorial Foreman, Freddie Greene. My assignments cover work that a Laborer/Janitor performs for the City; I know that I am performing work that had been done by displaced bargaining unit employees. For example I am required to report to City Hall and change lightbulbs, place locks on doors, sweep the City Hall, fix toilets, and perform necessary work throughout the building.

6. On Monday, March 18, 1985 the Chief Engineer (Anthony Collareno) saw me working at City Hall and said, from what I recall: "Nice to see you back, but not under these conditions." I recall seeing Mayor Radich when I was assigned under "Workfare" to City Hall and stated to him more than once, "I'm here working on Welfare, when I should have my old job back." I also recall telling him that "workfare" does not provide an opportunity for a person to better himself.

AFFIDAVIT OF SAMUEL J. CHINI (Continued)

7. I am somewhat embarrassed and really publicly humiliated by being forced to work under "Workfare"; people I k now approach me while working at City Hall and ask if I am back at my old job- I do not know what to tell them, so I let them think that I work part-time.

8. The irony of this whole matter is that if I had not been laid-off and displaced by "Workfare' people the City of Lackawanna would have been compelled to keep me on, or other laid-off workers, to perform necessary work.

Samuel J. Chini
SAMUEL J. CHINI

Sworn to before me this

6th day of April 1985.

Fedela M. Marrero
NOTARY PUBLIC

FEDELA M. MARRERO
Notary Public, State of New York
Qualified in Erie County
My Commission Expires March 30, 1986

ATTACHMENT C

Comparison of Hourly Rates Between New York City
PWP and Comparable City Titles

PWP	Number	Hourly Rate	City Title	Hourly Rate
Attendant Aide	1405	$3.92	Attendant	$7.69
Clerical Aide	4431	$3.83	Clerk	$7.99
Community Service Asst	92	$3.35	Community Svc Aide	$7.85
Custodial Aide, AM	3539	$3.85	Custodial Asst	$7.59
Custodial Aide, PM		$4.10		
Elevator Aide	36	$3.98	Elevator Operator	$7.80
Fiscal Aide	20	$4.06	Account Clerk	$8.26
Homemaking Aide	896	$4.35	Homemaker	$8.71
Janitorial Aide	1437	$3.74		
Messenger Aide	699	$3.83	Messenger	$7.99
Office Machine Aide	38	$3.83	Office Appliance Operator	$7.99
Pest Control Aide	527	$4.06	Pest Control Aide	$8.26
Stenographer Aide	3	$4.06	Stenographer	$8.26
Stock Asst	128	$4.51	Asst Stockhandler	$8.97
Telephone Aide	24	$4.06	Phone Operator	$8.26
Typing Aide	191	$3.83	Typist	$7.99
Watchman Aide AM	41	$3.92	Watchperson	$7.69
Watchman Aide PM		$4.17		
Food & Housekeeping Aide	40	$4.15	Dietary/ Housekeeping Aide	$8.54
Computer Operator Aide	4	$5.24	Computer Operator	$9.85
Computer Programmer Aide	2	$7.10	Computer Programmer	$12.95
Utility Aide	1	$3.92	Senior Citizen Specialist	$5.44
Key Punch Aide	0	$3.95	Key Punch Operator	$8.14
Motor Vehicle Aide	4	$3.59		
Block Service Aide	1	$3.94		
Child Care Aide	2	$3.94		
Hospital Clerical Aide	281	$4.57	Senior Clerk	$8.91
Hospital Messenger Aide	23	$3.83	Messenger	$7.99
Hospital Elevator Aide	1	$4.25	Elevator Operator	$7.80
Hospital Food & Housekeeping Asst	171	$4.43	Dietary/ Housekeeping Aide	$8.54
Hospital Institutional Aide	169	$4.43	Institutional Aide	$8.54
Truckman's Helper	2		Laborer	

February 19, 1987

87-05

STATEMENT OF ROBERT MCGLOTTEN, LEGISLATIVE DIRECTOR AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL RELATIONS BEFORE THE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY OF THE SENATE FINANCE COMMITTEE

February 23, 1987

Thank you, Mr. Chairman for giving us this opportunity to express our views on welfare-related work programs. We would like to commend the Chairman for his vigorous leadership in focusing the national debate on the need to replace the welfare program with a combination of badly needed support systems.

For over a decade the AFL-CIO has urged reforming or replacing the nation's welfare system in order to provide 1) education, training and placement in decent jobs for those recipients who can work outside the home; 2) assistance to the working poor who although working full-time are unable to earn enough to keep their families out of poverty; and 3) adequate payment levels for those who are unable to take paying jobs.

We are encouraged to see what appears to be a growing consensus for the enactment of a national program addressing the job and training needs of welfare recipients as well as efforts to bring payments to a decent level for those who must rely solely on welfare. We urge that attention also be given at this time to assisting the working poor - many of whom were cut from the rolls in 1981 - and the unemployed and dislocated workers who are receiving no assistance from any source.

Before commenting on work and training programs for welfare recipients, I think it's useful to point out the broader job picture. There are currently 8 million unemployed workers - of whom only 33 percent are receiving any unemployment insurance benefits. (Those fortunate enough to receive compensation will find that their payments average less than three-fifths of whats needed to keep a family of four out of poverty - and in many states will loose their benefits entirely if they participate in a training program.) Along with the eight million unemployed there are another million who have given up looking for work and no longer show up in the official count, and five million who are working part-time only because they can not find full-time jobs - totaling 14 million workers seeking full-time jobs which pay a living wage.

In addition, there are more than 15 million workers in America who are paid at or around the minimum wage of $3.35 an hour - far below the $4.60 an hour necessary for a wage earner to lift a family of three or more out of poverty. Changes in the traditional America labor market are causing permanent job dislocations for up to two million workers each year. Overall, 60 percent of the new jobs created since 1979 paid less than $7,000 a year. The poverty level for a two person family is $7,240 a year, $9,120 for a family of three, and $11,000 for a family of four.

Consideration of means by which families can achieve financial independence, therefore, will have to include serious efforts to increase the minimum wage and address the sorry state of the unemployment insurance system which provides payments to just a third of the unemployed workers.

Employment Programs

A welfare jobs initiative should be designed to offer an entire range of employment assistance to all welfare recipients seeking help. Ideally the program should be expanded and coordinated with other resources available in order to provide services to all the unemployed, underemployed and displaced workers. The program should consist of four basic elements: 1) career counseling and assessment, 2) education, 3) training and skill development, and 4) job placement.

1) Each person should be seen by a trained counselor - someone who is trained not only in assessing an individual's skills, but who also has knowledge of the labor market. There are growing numbers of individuals (who have had to resort to welfare) who are experienced workers with a long history of labor market

attachment but whose industry or skill market has disappeared. In order to become self-sufficient, these people may need retraining just as a new worker needs training. In addition to training or re-training, the needs of those to be served may include immediate job placement, returning to high school, or even placement in a drug treatment program.

The roll of the career counselor or caseworker in helping the client determine the proper path to self-sufficiency is critical to the success of the entire welfare-jobs effort. Currently there are only limited numbers of professional personnel available to work directly with recipients and they are frequently overworked, untrained and underpaid. These people must be given the proper training and be fairly compensated in order to perform this task. They must have the resources they need to link clients to the proper source of service and not be required to spend time on federally imposed bureaucratic paper work.

2) The emphasis on education is crucial. It is encouraging to see commitments being made in some states to provide not only a high school education, remedial literacy and English language instruction, but community college degrees as well. Nearly 60 percent of all welfare recipients have not finished high school. Many teen-age mothers do not return to school leaving them likely candidates to become long-term welfare recipients. We feel the need in this area is of such magnitude as to require that each recipient be given the opportunity to earn a high school or equivalency diploma, receive assistance in developing a career plan and take advantage of post secondary or vocational training where appropriate.

3) For those who have achieved a basic education, the next step toward independence has to be acquiring marketable job skills through training programs which lead to decent jobs. Every effort must be made to avoid the tragic waste of human potential and scarce resources by putting people through training programs

and then leaving them on their own and without assistance to search for jobs which frequently don't exist or don't pay enough to get them off welfare. We point to a number of state programs such as in Illinois and Massachusetts where state administrators have actively and aggressively identified businesses and non-profit organizations which will train welfare recipients and guarantee their placement in decent jobs at the end of the training program. Public welfare departments must work closely with State Departments of Commerce and Employment Security to determine the job requirements of the business community and then train welfare recipients to fill those jobs.

4) As the purpose of all this is to provide the poor with the means to become self-supporting it goes without saying that the jobs in which they are placed will have to pay them a living wage and provide standard benefits and worker protections. To do less will risk the disappointment and failure that has occurred under earlier programs where the poor were given false hope only to end up on or return to welfare frequently after suffering periods of destitution. We are not unmindful of the reality that many entry-level jobs which would be available to persons on welfare are both unstable and low paying. In addition to a long overdue increase in the minimum wage, we recommend that those who may end up in this type of job receive continued job counseling to assist them into a more satisfactory position.

Targeting

Mr. Chairman, you may have heard that a number of proposals appear to be taking the direction of singling out only a portion of welfare recipients who are to benefit from employment and training programs. We recognize the good intentions of those who suggest such targeting. They are motivated, on the one hand, by what seems to be an acceptance that there will not be enough money to serve the job needs of all welfare recipients, and on the other hand, by a legitimate concern of reaching those considered the most needy. Nevertheless, we feel that deliberate exclusion of large members of welfare recipients will produce a distortion of the goals as well as the outcome of the program. Services to welfare recipients should be based on their needs and should not be determined by any arbitrary categories in which they may be placed. Neither the most job ready nor the least job ready shoud be deprived of the services they need in order to become self-sufficient.

Although we share the desire to break the cycle of poverty for long-term welfare recipients, we feel it is bad public policy for the federal government to encourage the practice of setting arbitrary age limits or require that a person remain on welfare for a specific period before they can receive job assistance. Such actions will do a disservice to all the poor and will result in: 1) turning away people who recently were forced on to welfare because the only job for which they were trained disappeared when the industry folded or moved - people who need retraining as badly as new workers need training; 2) ignoring the needs of both the long-term unemployed and the new entrants into the labor market who are over a certain age - many of whom are mothers who were encouraged by social policy and welfare regulation to stay at home and care for their children until their youngest child turned 6 years old; and 3) leaving teen-age mothers (who it is known could benefit from immediate career counseling and education) on welfare for long periods before receiving any attention.

It is frequently argued that nearly half of the families on AFDC go off the rolls in two years without the help of a government program. But many of these people could and should benefit from an employment and training program. Two or even one year on welfare is costly - in both financial and human terms. It is also known that many of those who leave the rolls return after short periods - indicating the need to help them find more adequate and stable employment.

The federal government should provide the leadership and financial support necessary to serve the needs of all the poor. It should not be the job of the caseworker or counselor to make arbitrary judgements and target for assistance only those who they think are most needy. Instead they should facilitate services for anyone who needs them in order to get off welfare. The money saved from placing those who are more job-ready and helping them to remain in a job that pays a living wage or move to a second one that does, could be used to offset the higher cost for those who need more concentrated and lengthy services.

Workfare

A number of state programs, as well as most of the current welfare reform proposals being discussed, allow the states to include workfare as a part of their employment and training options. The AFL-CIO opposes the practice of requiring the poor to take jobs that pay no wages in return for their benefits. Workfare schemes are frequently punitive and do little to increase the self-esteem or employablity of the participant. Participants are often denied the status of regular employees, get no wages, and are not provided standard benefits or full worker protection.

With the cutbacks in funds needed to provide more costly and beneficial education and training programs, localities frequently turn to workfare because they believe, mistakenly in our opinion, that it is a less expensive approach. As the representatives from the Conference of Mayors testified before this committee, "Workfare does not save money, because of the costs associated with operating it. Every objective evaluation of the program that has been conducted has concluded that it costs at least as much -- and sometimes much more -- to administer than it saves as a result of grant terminations of non-complying recipients".

Workfare seriously jeopardizes the jobs of regular workers. It is often attractive for an employer to hire workers to whom no wages have to be paid and then let go or not replace their regular workers. Experience with state programs has demonstrated that statutory language prohibiting displacement is extremely difficult to enact and even more difficult to enforce. The punitive effects of a practice that threatens the jobs of some workers and provides no wages to others far outweigh any benefits claimed by its supporters.

It is known that most welfare recipients want to work and will readily volunteer for opportunities they feel will lead to a better life for themselves and their children. They are unlikely to view working for no wages as such an opportunity. Mandating workfare and then cutting poor families off welfare when the parent refuses to participate leaves children destitute. This is a gross violation of decent treatment of families. Mandatory workfare is frequently used not as a way to make people more employable but only as a means of terminating grants when recipients refuse to comply. This is a distortion of the goals of a compassionate welfare system which should be to restore people to self-sufficency, not to force them and their children into destitution.

Administration and State Flexibility

A new federal initiative to combine work and welfare must take a broad look at coordinating a number of state and federal resources. By forming what appears to be very good cooperative working relationships developed by the welfare, employment, education and business communities, a number of states have been able to expand their services to welfare recipients but such services have been limited mainly by the lack of sufficient financial resources. State experience has demonstrated that different arrangements are appropriate in different states and in different areas within states since labor market conditions and institutional capacity vary from place to place. A new federal initiative should allow states and localities to continue to have this flexibility while providing the leadership and resources which will meet the goal of preparing the poor for jobs that pay decent wages and benefits.

Child Care

The most important element of any job and training program for welfare mothers is child care. The availability, quality and affordability of care for the children of the AFDC mothers - 60 percent of whom have children under 6 - has been given scant attention either by the Federal government or most of the states.

There are currently 24 million children nationwide under the age of 13 who need care and only 6 million spaces available in licensed centers or homes. The cost of care is now around $3,000 a year per child for the majority of parents. The federal allotment for child care for AFDC recipients is $1,920 a year.

With day care in such short supply and the cost of most of it beyond the reach of welfare recipients, it is unrealistic to be creating job and training programs to make welfare recipients self-supporting unless equal attention is given to the availability of decent, affordable day care.

Heath Care

Access to health insurance must be an integral part of any welfare-work program. The cost of medical care for one seriously ill child, if free care is not available, could be enough to force a mother with no insurance back on to welfare in order to care for her child. Every effort should be made to place participants in jobs where health insurance is provided. When that is not possible medicaid coverage should continue for a reasonable period to insure that the employment is stable and the wages sufficient to enable the worker to purchase insurance independently.

Child Support

Divorce is a major factor in forcing children into poverty and thus onto welfare. One recent study of divorced couples found that a year after the divorce the woman's income dropped by 73 percent and she was also left with the children to support. By 1990 25 percent of all children in the country will be living with a single parent who, in most cases, will be the mother. An estimated two-thirds of these children will end up on AFDC. Consideration of means by which welfare families can achieve financial independence therefore, should include examination of the widespread problem of fathers refusing to contribute to the support of their children even where they can afford to do so.

Conclusion

In recent years the most dramatic increase in poverty has occurred among children, particularly those in female-headed households. One in four children is born in poverty today and one in five spends his or her youth in poverty. Whereas means tested programs and tax policy were able to remove 22 percent of the poor from poverty in 1979, these programs removed only 9 percent from poverty in 1984. The buying power of AFDC benefits has declined by a third over the past ten years and of the 12 million poor children in the nation, five million receive no assistance at all. This growing ineffectiveness of welfare programs in fighting poverty and supporting families must be reversed.

Mr. Chairman, the AFL-CIO stands ready to work with you to enact legislation which will 1) provide for a federal minimum benefit level sufficient to bring poor families out of poverty; 2) provide effective and fair job and training programs for all who need them; 3) mandate AFDC-UP and ease eligibility requirements in order to assist the working poor and recently unemployed; 4) allow medicaid coverage to continue for a reasonable period after a person previously on welfare becomes employed; 5) provide day care on a sliding fee scale basis; and 6) strengthen the states' capacity to collect child support from the absent parent.

We hope this Committee and the Congress will move full spead ahead on enacting genuine, fair and compassionate welfare reform.

Senator **Moynihan**. Now to our last witnesses, and it is a very special privilege for us.

I wonder if I might suggest to Governor Kean and Governor Ashcroft, who are both here—and I cannot doubt good friends and colleagues—why don't you come to the witness table together?

I think in the order of original appearance and in the order of arrival Governor Kean was first, and Governor Ashcroft was second.

I wonder if my distinguished colleagues would like to introduce these eminent personages?

Senator **Bradley**. Mr. Chairman, thank you very much.

I don't have to introduce Governor Kean to the committee; he has been here a number of times before. And as usual, he will speak with insight and eloquence on this issue.

I might say that he has taken a particular interest in the whole area of welfare reform and proposed a number of initiatives in the State of New Jersey, which I think are not only fully consistent with some of the things that you yourself and I proposed last year in the WORC Bill but also could very well give us good guidance when we think about the problem nationally. So, I look forward to hearing his testimony and welcome him to the committee.

Senator **Moynihan**. And Senator Danforth, would you welcome Governor Ashcroft?

Senator **Danforth**. Mr. Chairman, thank you very much.

First, let me say that I am glad to see Governor Kean with us again. I have been trying to remember a hearing I attended this year when Governor Kean has not been a witness. [Laughter.]

I am delighted to see him again—a very, very able person.

I am honored, Mr. Chairman, to introduce our Governor from Missouri John Ashcroft, a person for whom I have the highest regard. I have served with John Ashcroft in state government. He was our state auditor when I was attorney general; he succeeded me as Attorney General of Missouri. He has now been our Governor for two and a half years.

Governor Ashcroft is particularly interested in and involved with education. Among other things, he has been the Chairman of the National Governors Association task force on adult literacy and is the chairman-elect of the Education Commission of the states.

I had the experience a couple of weeks ago of having breakfast with Governor Ashcroft in Springfield, Missouri, when we talked about his concept of welfare reform. To the best of my knowledge, he has done a unique job in tying together the concepts of welfare reform and increasing the educational opportunities. His view has been that, if people are to be lifted out of permanent welfare status, they have to have educational opportunities, and they have to have job training opportunities.

I think that he has something very different and important to contribute to this debate, and I am honored to be able to introduce him.

Senator **Moynihan**. Very generous of you, and very informative.

Why don't we do just as we have been doing? If Governor Kean will speak, then Governor Ashcroft, then we will have at you.

STATEMENT OF THE HONORABLE THOMAS H. KEAN, GOVERNOR, STATE OF NEW JERSEY

Governor Kean. Thank you, Mr. Chairman.

Senator Bradley, I thank you for those kind words, as I always thank you for everything you do for our state.

Senator Danforth and Mr. Chairman, it is a real privilege to be with you today. I think all of us who are interested in this field have been benefiting from your writings and statements for so many years. You have been ahead of the curve on so many issues, and I don't think anybody has provided more thoughtful leadership than you have over the years in trying to solve American social problems, and it is an honor to be before you today.

Senator Moynihan. Thank you.

Governor Kean. Obviously, the leadership of all of us is in demand once again. Welfare reform is really the agenda, the agenda for the nation's Governors at their meeting this week, and in that regard your timing on holding these hearings couldn't be better.

I have very seldom seen, at least in our state, liberals and moderates and conservatives come together as they have come together on this issue. The time is right—I don't think there is any question about that—and I don't think we should miss the opportunity.

Welfare right now works backwards—for most, it promotes dependency, when what we should be doing is promoting economic independence. And the polls clearly show that a majority of Americans think that welfare simply has to be changed.

No one wants to see welfare changed, I don't think, more than the 365,000 people who are its recipients in a state like New Jersey, and two-thirds of them, of course, are children.

These people face a lifetime of dependency, poverty, and privation. Obviously, they can't afford that, and neither can we as a nation.

This is the real challenge, to move children in particular, but poor families in general, not just off the rolls—that is not the purpose—not just to move them off welfare, but to move them off poverty totally. That is the goal.

We haven't got any spare people anymore in our society, if we ever did. In my state we are going to create 600,000 jobs in the next decade. That is what our Council of Economic Development tells us. Who is going to fill them? Many are going to have to be filled, really, by the women and the children who today are on the welfare rolls. If these people aren't qualified, then the jobs are going to go elsewhere. In other words, if compassion doesn't motivate us, then economic necessity ought to motivate us.

That is why a month ago I announced our own ambitious welfare reform program in New Jersey. Our goal is quite simply to change welfare from a program that accommodates dependence to one that emphasizes work, self-sufficiency, and opportunity.

We call our new program REACH, Realizing Economic Achievement. We want to help welfare recipients pull themselves up and share in the prosperity that the rest of our state is experiencing at the moment.

At the heart of REACH is the concept of mutual obligation, which means literally that there will be a contract, a contract between the recipient and the state. I believe it is time to stop arguing about whether poor people or government are responsible for the failure of welfare; we have got to recognize that both sides have an equal obligation to make welfare work. Able-bodied recipients must take steps to support themselves and their families by going to school, by entering a job training program, or looking for and taking a job.

Under the REACH program, all recipients with children two years of age or older will be required to do this as a condition of public assistance. Recipients with children under two years will receive counseling and will be encouraged to voluntarily participate in employment and training programs.

Now, we know that meeting the needs of parents of very young children isn't easy; so we are spending $7.1 million on a Welfare Prevention Demonstration Project in the City of Camden and the City of Newark to find the best way to involve women with infants, and absent fathers as well, in education, employment, and training.

Now, government's side of the bargain is equally important. Our obligation is to provide the opportunities. Those opportunities obviously mean education, job training and job placement, and the supports—services like child care, and transportation assistance, and Medicaid coverage—that are essential if a woman with children is going to be able to take a job or even finish school.

There are many other features of the REACH program: case management services for each recipient, delivered by both public agencies and private organizations; tax credits for employers who hire REACH participants at a good wage, to retain them for at least one year with health benefits; the use and expansion of private sector programs for job training and placement; and a series of steps to increase child support collections. All of these are important, yet it is really the idea of the contract that is at the heart of our proposal.

A second major thrust of REACH is prevention. This is something which we feel very, very strongly about. Right now, more than one-third of our welfare recipients in the State of New Jersey, who are under age 22, will remain welfare recipients for 10 years or more. Unless we target our most intensive efforts to these people, to these young, first-time welfare mothers, we are going to see people for 10 or more years trapped in the cycle of poverty.

And this is why we are involving mothers with young children in REACH, and also of course in our Camden/Newark project, because most of these women are high school dropouts. We are making this strong commitment, therefore, to education.

When fully operational, REACH will encompass our entire state AFDC caseload. We want to give every able-bodied recipient the support he or she needs to become self-sufficient.

Now, a program of this magnitude of course is going to require a major investment of state funds. REACH is going to cost approximately $100 million for the State of New Jersey by the time the program is operational, at the end of three years, and we envision $50–$60 million annually after that.

The bulk of these funds will go to job training, child care, extended Medicaid coverage, and individual case-management services. This investment is very large for a state like ours, but we think it is prudent. We estimate that if we reduce the welfare rolls by 15 percent, that we are going to save $100 million; and therefore, the kind of program we are talking about will pay for itself.

We know the jobs are there—they are in New Jersey. With everyone participating in REACH, we think we can fill them. We are going to save money, but more importantly we are going to save lives.

That is what we are trying to do. I know other states are implementing very similar programs, but welfare reform won't succeed with just the backing of state government. We simply have to have, I believe, a stronger partnership with the Federal Government.

Right now, the Federal Government takes, of course, half the savings we achieve if we move welfare recipients off the rolls through a program like REACH. Therefore we would expect the Federal Government to share in the investment necessary to achieve those kinds of savings.

We hope the Federal Government will follow the states' lead and emphasize work over welfare. Today, funding for federal work-related programs equals only about one percent of the total federal spending for direct cash assistance for recipients.

Funding for the WIN program, for example, the only job-training program exclusively for welfare recipients, is half the level it was in 1981.

So, as long as the Federal Government continues to favor welfare over work, state governments which encourage self-sufficiency are going to be hampered. Welfare expenses will continue to rise, because recipients who grow dependent obviously stay on the rolls.

How do we change this biased equation? Well, we need your help, in several areas:

First, the Federal Government should increase its commitment to job training for the poor. A greater investment now in education and training will pay off in more productive lives and a more productive America in years to come.

Second, Medicaid. Welfare recipients have said to us repeatedly, when we have talked to them individually, that the major deterrent that they have to taking a job is the threat of losing health-care benefits for themselves, and, more importantly, for their children. So, I suggest that we extend Medicaid coverage for up to one year for all people who have participated in an approved training program for AFDC recipients and who lack employment-based health insurance. I believe the federal and state governments should share in this cost.

Third, we need to invest more in the child care necessary for a woman to go to school, get job training, or work. In New Jersey, good child care can cost more than $400 a month for two children, and that is more than half the take-home pay of a job that is even slightly above the minimum wage.

Fourth, we need to improve child-support enforcement. We must remember that child-support money takes the pressure off state and federal budgets. In New Jersey, we rank fourth in the nation in child-support collections; and yet, even in our state, 85 percent of our child-support payments are in arrears.

We plan immediately to begin to withhold child-support payments from paychecks, and we believe this will increase collections by up to 20 percent. But 30 percent of our delinquent parents live elsewhere, in other states. Therefore, we need a consistent national policy in this area.

We also need national guidelines to tie child support directly to the absent parent's income, so that we can prevent those unfair instances that we have discovered, where a person earning $13,000 a year pays more child support than a person earning $50,000 a year.

There is no question that these kinds of investments are going to cost money in the short term. And I am sure that the members of this committee are tired, as the rest of Congress is, of those of us who are governors coming down here and saying, "Reduce the deficit—but not in this area."

I don't think I am one of those people; I understand the threat the deficit poses. Reducing the deficit obviously has to be the number-one priority. But my message today is simply that states like New Jersey are willing to put up the investment to make welfare work, and the Federal Government can share in the rewards by helping us invest in the support and tools recipients need to become self-sufficient.

We must never forget that every single welfare parent who gains a job is going to become a productive, tax-paying member of society. Instead of a drag on the economy, they become a spur to its future growth; and a strong economy is obviously the very best antipoverty program.

Mr. Chairman, by the way, if the unemployment rate in this country was the same as it is in New Jersey—right now, 3.6 percent—the deficit would be half of what it is today.

We have today, Mr. Chairman, a rare opportunity. The political climate is ripe to allow us to find a way to turn welfare into what it was first intended to be, a system that gives the able-bodied poor in this country the temporary support they need to make it on their own. And I am sure none of us wants to miss this opportunity.

As Thomas Carlysle said a long time ago, "A person willing to work and unable to find it is perhaps the saddest sight that fortune's inequality exhibits under this sun."

So, I ask you to work with us in the states, and together I believe we will give our economy what it needs.

Senator **Moynihan**. We thank you, Governor. And I believe Mr. Altman is your Commissioner of Human Services.

Governor **Kean**. Correct.

Senator **Moynihan**. We welcome you to the committee, Mr. Altman.

Governor Ashcroft, we would like to hear from you, and then we will talk with you both.

[Governor Kean's written testimony follows:]

STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR
CN-001
TRENTON
08625

THOMAS H. KEAN
GOVERNOR

STATEMENT

THE HONORABLE THOMAS H. KEAN

GOVERNOR OF NEW JERSEY

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

COMMITTEE ON FINANCE

UNITED STATES SENATE

ON

WORK AND WELFARE

FEBRUARY 23, 1987

Mr. Chairman, Thank you for inviting me to testify.

I feel privileged to be here with you today, Mr. Chairman. I have been reading and benefiting from your writings on social issues for many years. No one I can think of has provided more thoughtful leadership in trying to solve America's poverty problem.

Your leadership is in demand once again. Welfare reform is on the agenda. Your timing in holding these hearings could not be better. I have seldom seen liberals, conservatives, and moderates come together as they have on the need for welfare reform. The time is right to fashion a better welfare system, and we must not miss this opportunity.

Today welfare works backwards. It promotes dependency when what we should be doing is promoting economic independence.

The polls clearly show that the majority of Americans think welfare must be changed. But no one wants to see public welfare changed more than the 365,000 women and children who are its recipients in New Jersey, and their counterparts in other states across the nation.

These people -- two-thirds of whom are children -- face a lifetime of dependency, poverty and privation. They can't afford that and neither can we. This is the real challenge we face -- to move children and poor families not just off the roles, but out of poverty altogether.

There are no spare people in our society. In my state we will create 600,000 jobs by the next decade. Who will fill them? Many will have to be filled by the women and children who today languish on welfare. If these people aren't qualified, the jobs will go elsewhere. If compassion does not motivate us, then we must be motivated by economic necessity.

That's why a month ago I announced one of the most ambitious welfare reform programs in the country. Our goal is to change public assistance in New Jersey from a program that accommodates dependence to one that emphasizes work, self-sufficiency and opportunity.

We call our new program "REACH", for Realizing Economic Achievement. We want to help welfare recipients pull themselves up and share in the prosperity the rest of New Jersey is enjoying.

At the heart of REACH is the concept of mutual obligation, which means literally a "contract" between the recipient and the state. We believe it is time to stop arguing about whether poor people or government are responsible for the failure of welfare. We've got to recognize that both sides have obligations if we are to make welfare work.

Able bodied recipients must take steps to support themselves and their families by going to school, entering a job training program or looking for or taking a job.

Under REACH, all recipients with children two years of age or older will be required to do this as a condition of public assistance. Recipients with children younger than two years will receive counseling and will be encouraged to voluntarily participate in employment and training programs.

We know that meeting the needs of parents of very young children is not easy. So we are spending $7.1 million in a welfare prevention demonstration project in the cities of Camden and Newark, to find the best way to involve women with infants, and absent fathers as well, in education, employment and training.

Government's side of the bargain is equally important. Our obligation is to provide the opportunities -- meaning education, job training and job placement -- and the supports -- things like child care, transportation assistance, and medicaid coverage -- that are essential if a woman with children is going to take a job or finish school.

There are other features of the REACH program: case management services for each recipient, delivered by both public agencies and private organizations; tax credits for employers who hire REACH participants at a good wage and retain them for one year with health benefits; the use and expansion of private sector programs for job training and placement; and a series of steps to increase child support collections. All of these features are important. Yet it is the idea of a contract that lies at the heart of the REACH program.

A second major thrust in REACH is prevention. This is something I feel strongly about. Right now, more than one-third of welfare recipients in New Jersey who are under age 22 will remain on welfare for 10 years or more. Unless we target our most intensive efforts to these young, first-time welfare mothers, we will continue to see lives trapped in the cycle of poverty.

That is why we are involving mothers with young children in REACH and in our Camden/Newark project. Because most of these women are high school drop outs, we are making a strong commitment to education.

When fully operational, REACH will encompass our entire state AFDC caseload. We want to give every able-bodied recipient the support they need to become self sufficient.

A program of this magnitude will, of course, require a major investment of new state funds. REACH will cost approximately $100 million by the time the program is fully operational at the end of three years, and $50 to $60 million a year after that. The bulk of these funds will go for job training, child care, extended medicaid coverage and case management services.

This investment is large but it is prudent. We estimate that if we reduce the welfare rolls by 15 percent we will save $100 million and the program will pay for itself. We know the jobs are there. With everyone participating in REACH, we think we can fill them. We will save money, but more important, we will save lives.

That is what we are trying to do in New Jersey. I know other states are implementing similar programs. But welfare reform won't succeed with just the backing of state government. We need a stronger partnership with the federal government.

Right now the federal government takes half of the savings we achieve when we move welfare recipients off the roles through a program like REACH. Yet the federal government shares only minimally in the investment necessary to achieve those savings.

The federal government should follow the states lead and emphasize work over welfare.

Today, funding for federal work-related programs equals about one percent of total federal spending for direct cash assistance to recipients. Funding for the WIN program, for example -- the only job training program exclusively for welfare recipients -- is half the level it was in 1981.

As long as Washington continues to favor welfare over work, state efforts to provide self-sufficiency will be hampered.

Welfare expenses will continue to rise because recipients grow dependent and stay on the rolls.

How do we change this biased equation? We need your help in several areas.

First, the federal government should increase its commitment to job training for the poor. A greater investment now in education and training will pay off in more productive lives -- and a more productive America -- in years to come.

Second, Medicaid. Welfare recipients have told me repeatedly that the major deterrent to taking a job is the threat of the loss of health care benefits for themselves and their children.

I suggest that we extend Medicaid coverage for up to one year to all people who have participated in an approved training program for AFDC recipients and who lack employment-based health insurance. The federal and state governments together should share in the cost.

Third, we need to invest more in the child care necessary for a woman to go to school, get job training or work. In New Jersey good child care can cost more than $400 a month for two children. That's more than half the take home pay of a job above the minimum wage.

Fourth, we need to improve child support enforcement. We must remember that child support money takes the pressure off state and federal budgets.

New Jersey ranks fourth in the nation in child support collections, and yet 85 percent of our child support payments are in arrears.

We plan to immediately begin withholding child support payments from paychecks and we believe this will increase collections by 20 percent. But 30 percent of our delinquent parents live in other states. Therefore, we need a consistent, national policy.

We also need national guidelines to tie child support directly to the absent parent's income, so that we can prevent those unfair instances where a person earning $13,000 a year pays more child support than a person earning $50,000.

There is no question these kind of investments are going to cost money in the short term. And I am sure the members of this committee have grown tired of Governors and others who come before you and say, "Reduce the deficit, but."

I'm not one of those people. I understand the threat the deficit poses. As I told the Senate Budget Committee last week, reducing the deficit must be your number one priority.

My message today is simply that states like New Jersey are willing to make the investment to make welfare work. The federal government should share in that by helping us invest in the support and tools recipients need to become self sufficient.

We must never forget that every single welfare recipients who gains a job becomes a productive, taxpaying member of society. Instead of a drag on the economy they become a spur to its future growth.

And a strong economy is the very best anti-poverty program. If the unemployment rate in this country was the same as it is in New Jersey -- 3.6 percent -- the deficit would be half of what it is today.

Mr. Chairman, we have a rare opportunity. The political climate at long last is ready to allow us to find a way to turn welfare into what it was first intended -- a system that gives the able bodied poor of this country the temporary support they need to make it on their own.

We cannot miss this opportunity. Our economy depends on it. And indeed our society depends on it.

For as Thomas Carlyle said long ago, "A person willing to work, and unable to find it, is perhaps the saddest sight that fortune's inequality exhibits under the sun."

I ask you to work with us in the states to give welfare recipients what they want and what our economy needs, a productive job and a productive life.

Thank you.

STATEMENT OF THE HONORABLE JOHN ASHCROFT, GOVERNOR, STATE OF MISSOURI

Governor ASHCROFT. Thank you, Senator Moynihan, and Senator Bradley and Senator Danforth. It is a pleasure to have this opportunity to discuss Missouri's Learnfare/Welfare-to-Work proposal. I want to thank you for the leadership which you have been developing for quite some time, bringing it to the issue of welfare reform.

I believe a redirection of our welfare system must be a top national priority. Our strategy must be to help Americans move from the dependency of welfare to the dignity of work, from poverty to productivity, and included in that strategy, I believe that we help people most when we help them help themselves. I believe the participation of the recipient is the fundamental and key aspect of making the system work.

I do believe there is a growing national consensus, and what Governor Kean has talked about is certainly important, and children are as affected if not more affected than anyone else. The intergenerational aspects are of deeper concern to me, perhaps, than anything else that we face.

Our welfare system has been around a long time; it is old, it is tired, it doesn't work. Our people who don't work are caught in a system that doesn't work, a system in fact that is devoted in some ways to not working, and I think we have got to redirect the system.

As a governor, I think I share with other governors the real sense that opportunity is one of the things that is a primary responsibility of mine, and I see economic development and education as being ways of finding opportunity—the quality of schools contribute to our quality of life. That is an important consideration when people consider locating their businesses in our state, and an educated and trained workforce is a key component in our effort to attract and develop new industries and opportunities.

Individual self-advancement, like statewide development, I think rests in large part upon the attainment of knowledge and skills and the maintenance of aspirations and hope.

There is a sense in which the world is changing, that the world economy has restricted, at least in the United States, some of the manufacturing that we used to rely upon for certain entry jobs for unskilled people. The service sector employment requires a mastery of reading, writing and computational skills that haven't previously been required quite as intensively.

Demographis projections indicate a national labor shortage by the turn of the century. A declining number of young people and an increasing number of functionally illiterate individuals will compound this problem unless we intervene to change the circumstance.

Missouri is fairly typical in this respect, and Governor Kean referred to the situation in New Jersey, where they expect to generate 600,000 jobs by the turn of the century. A report prepared for the Missouri Opportunity 2000 Commission, which I commissioned, forecasts our future labor force growth to be well below the 20-percent level reported between 1970 and 1980. Ten-year growth rates are expected to fall to 13 percent during the Eighties, and a 9-percent growth rate in terms of our labor force in the Nineties.

Therefore, future Missouri employers are likely to find entry-level workers in especially short supply. By the year 2000, 17 percent of our labor force is expected to be in the traditional entry-level age group—that is down from 21 percent which we have today.

Now, while this promises a great potential, these demographic circumstances don't by themselves ensure that jobs will be available for welfare recipients. It is evident that the educational grade level attained is a significant factor in obtaining employment. In fact, completion of the twelfth grade doubles the chances for employment, compared to dropouts. For welfare recipients, recent date from the WIN program shows that among persons leaving welfare to take jobs, those who had completed the twelfth grade accounted for over 50 percent more placement than those who had not. And of course, high school graduates have the advantage of obtaining higher quality, better-paying and more stable jobs. If you have learned to learn, you are more likely to have long-term employment than if you just have job training which says, "Put the red bolt and the red nut together." Change the color of the bolts and the nuts, and you have got a retraining job on your hands.

It is the literacy level of welfare recipients that needs to be raised in this respect, to significantly increase the long-term employability of welfare recipients in today's—and I might emphasize in tomorrow's—job market, where technology advance is going to be coming at us at an accelerating pace.

The time has come to begin a serious and sweeping effort to use our collective resources, I believe, to liberate the God-given potential of people who are caught in the web of welfare dependency.

In Missouri we are proposing a comprensive program called Learnfare. Learnfare will remove the lack of a high school education as a barrier to employment. Combined with Missouri's Welfare-to-Work Program, an initiative to provide training for skilled jobs, I believe we can successfully break the cycle of poverty for many Missourians.

To break the cycle of poverty, I believe our efforts must begin with education. In Missouri we know that previous job training programs for welfare clients have suffered from the fact that many recipients don't have the necessary educational levels to make them really ready for the training.

Another problem: Teen pregnancy begets low educational achievement. Low educational achievement begets unemployment and dependency. Even the most motivated welfare recipients face stiff competition in today's labor markets if they don't have the GED or a high school education.

Inadequate education also prevents recipients from being competitive for those job training opportunities. It is a vicious cycle that only education can break.

Our Learnfare/Welfare-to-Work proposal targets these problems in welfare with some new weapons:

First, Learnfare would boost the educational level and job potential of AFDC parents. The proposal is this: Those who lack high school diplomas or the equivalent GED would be required to register in adult basic education or equivalent high school education programs. Only those parents with preschool children or special hardships would be exempted from this requirement, and they would be exempted under current law, because we can't force them to be involved. But the requirement would be a required involvement in attaining high school equivalency skills, education.

Second, our Welfare-to-Work plan offers new job opportunities for AFDC parents through a mandatory registration for job-skills, job-search, job-experience, and job-placement programs. Our plan offers individually-tailored guidance by assigned case managers.

Third, we will locate job service staff in our welfare offices to provide immediate access. I am going to be assigning employment security people to our welfare offices; in fact, the first application you file in a welfare office will be a job application rather than a welfare application. Potential welfare applicants will often find their first application then is not for welfare.

Our initatives also include a major expansion in daycare. For those individuals who are required to be involved in pursuing education, in lifting their own potentials, as a condition for recipt of the grant they will have expanded daycare and a small stipend to cover the incidental expenses of pursuing that educational opportunity.

Finally, our initiative provides a new community work experience program. This program will provide on-the-job work experience for those who lack job histories and who are unsuccessful in the education, training, and job search components of the program.

Now, Learnfare represents a joint—a joint—investment, an investment between society and those who are most in danger of long-term welfare dependence.

This massive assault on low educational attainment also promises positive spillover effects for the children of welfare recipients—and this is perhaps as important as anything else. Maybe for the first time, children of AFDC parents will see the most important persons in their lives, their role models, their parents, working to further that parent's education. Maybe for the first time they will benefit from the increased self-esteem of their parents, who, rather than be threatened by school work brought home by children, would be able to assist and participate in the education of their children. When children bring schoolwork home, parents at least shouldn't be intimidated, and at best will be able to participate in that educational effort.

Learnfare is the first step in our welfare reform effort in Missouri. Our companion proposal, "Welfare-to-Work," provides a range of employment-oriented training and job experience programs, and graduates of Learnfare and recipients who have already gotten a diploma or a GED will engage in activity designed to lead them from the dependency of welfare to the permanence of employment and self-reliance.

Our initiative also includes a major new investment in child daycare, as I mentioned, and other support critical to the transition. We must remove barriers to the workplace, the barriers of lack of education, the kind of thing that has made welfare so long-term for a number of individuals.

It is time for government to quit offering help only if people give up and go on welfare. By expanding Medicaid coverage to low-income families, we can prevent the fear of the loss of medical benefits and remove an incentive to stay on welfare. And I have recommended in my budget for this year that, for children under five, and for pregnant women, we will extend that Medicaid in conjunction with the program that is being offered at the federal level.

We will also strengthen the enforcement of child-support obligations and will crack down on welfare fraud and abuse. That is something that we have been in the process of doing, to try to make progress on for some time.

I really believe our most important resource is our people. None of us can achieve our full potential unless all of us have the opportunity to achieve our full potentials, and I believe that we as a society can ill afford not to have a full effort from as many people as is possible.

Learnfare and Welfare-to-Work take an aggressive yet compassionate approach to these problems. Most important, they help people to help themselves, and I believe that we really ought to ask for people to be involved in the process. Welfare reform is not something we should do "to" people; it is something we should do "with" people.

Moving people from welfare to work is a joint enterprise. It is a mutual investment. And the fact that we require individuals to be involved is eminently fair and considered to be fair by welfare recipients as well as the population generally.

We must recognize that government—federal, state, or local—can be a partner to other institutions in breaking the web of welfare dependency and building individual opportunities.

National welfare reform proposals, I think, must acknowledge the importance of state and community based reforms. I think those efforts can be more successful when they adapt to the unique characteristics of the 50 States of our country, and I am very pleased to say that many of my ideas come from bouncing these ideas around between and among the governors, and I am grateful to them for their assistance in shaping and fashioning things that we hope will work in the community we call Missouri.

We have had some problems, obviously, in getting the right waivers, and what we would most like from the Federal Government is the kind clarity and flexibility in rulemaking so that this system of laboratories we call the Fifty States can work.

We explored the possibility of requiring mothers with very young children to participate in the Learnfare Program. We were told that to do so would require a Research Demonstration Waiver. We said, "Well, fine. We will do a research demonstration to allow us to deal with families with children under six years of age." And they said, "Well, that is too bad. Somebody has already done that research and proved that it works. Therefore, you can't do it because the research has been done, and there are not research waivers available."

Well, it is time for us to move beyond that. It is time for us to recognize that there is an appropriate need for flexibility, with the clarity of rules that can allow for the experimentation. Yes, and with the opportunity for failure on the part of one state, both the opportunity to discover that a program doesn't work but also the opportunity to strike oil—or I guess these days we would want to strike something else more valuable—in terms of making a system work.

Reform requires investment. The State of Missouri is making substantial investment out of its General Revenue Funds in order to move forward in this respect. It is an investment which, as Governor Kean has very clearly pointed out, will redoubt as well ore more to the federal treasury if it is successful as it will to our own.

I thank you very much for your commitment to examining alternatives, to clear the web of dependency, and to remove barriers to work and move people across the bridge to independence and productivity. Our focus must be education as well as jobs, and I am grateful for this opportunity.

Senator MOYNIHAN. Governor, we thank you for an extraordinary statement. We very much appreciate it.

[Governor Ashcroft's written testimony follows:]

Testimony Prepared for
GOVERNOR JOHN ASHCROFT
STATE OF MISSOURI
before the
U.S. Senate Finance Committee
Subcommittee on Social Security and Family Policy
February 23, 1987

[Senator Danforth will introduce you to the committees.]

I appreciate the opportunity to be with you today to discuss the Missouri Learnfare/Welfare-to-Work proposal. I am grateful for the leadership that you, Senator Moynihan and this subcommittee are bringing to the issue of welfare reform. Restructuring our welfare system must be a top national priority. Our strategy must be to help Americans move from the dependency of welfare to the dignity of work, from poverty to productivity. We help people most when we help them to help themselves.

Increasingly, the welfare system is criticized as an obstacle to independence. It has bred what amounts to a web of long-term dependency that drains resources, productivity and the human spirit. Analysts from all points on the political spectrum fault the welfare system for causing family fragmentation, erecting barriers to employment, excessive cost and, perhaps most troubling, for serious erosion in the aspirations and motivation levels of children in welfare families.

Our current welfare system has wrung the spirit of hope out of most of these families. We must re-awaken these citizens to their abilities and opportunities. We need their productive efforts.

Our welfare system has been around a long time. It's old, and it's tired, and it doesn't work. Our people who don't work are caught in a system that doesn't work, a system, in fact, that is devoted to not working.

As governors, my colleagues and I share two important and related agenda items: education and economic development. The quality of schools--excellence in education--contributes greatly to the overall quality of life, an important consideration for industries seeking to locate or expand their production. An educated and trained work force is the key component in our states' efforts to attract and develop new industries. And finally, individual self-advancement--like statewide economic development--rests in large part on the attainment of knowledge and skills.

But, the changing world economy has restricted manufacturing employment--the traditional avenue to self-sufficiency for the unskilled. Service-sector employment requires mastery of reading, writing and computation skills. Demographic projections indicate a national labor shortage by the turn of the century. A declining number of young people and an increasing number of functionally illiterate will compound this problem.

Missouri is fairly typical in this respect. A report prepared for the Missouri Opportunity 2000 Commission, which I established to help our state prepare for the next century, forecasts our future labor force growth to be well below the twenty percent level recorded between 1970 and 1980. Ten year growth rates are expected to fall to thirteen percent during the 1980's and to nine percent during the 1990's.

Future Missouri employers are likely to find entry level workers in especially short supply. By the year 2000, seventeen percent of our labor force is expected to be in the traditional entry-level age group, down from twenty-one percent today.

While promising great potential, these demographic circumstances do not by themselves ensure job placement for welfare recipients. It is evident that the educational grade level attained is a significant factor in obtaining employment.

In fact, completion of the 12th grade doubles the chances for employment compared to dropouts. For welfare recipients, recent data from the Missouri WIN program shows that among persons leaving welfare to take jobs, those who had completed the 12th grade accounted for over 50% more placement than those who had not.

And, of course, high school graduates have the advantage in obtaining higher quality, better paying and more stable jobs. The literacy level of welfare recipients must be raised to significantly increase the employability of welfare recipients in today's and tomorrow's job market.

The time has come to begin a serious and sweeping effort to use our collective resources to liberate the God-given potential of people caught in the web of welfare dependence.

In Missouri we are proposing a comprehensive program called Learnfare. Learnfare will remove the lack of a high school education as a barrier to employment. Combined with Missouri's Welfare-to-Work program, an initiative providing training for skilled jobs, I believe we can successfully break the cycle of poverty for many Missourians.

To break the cycle of dependency I believe our efforts must begin with education.

In Missouri, we know that previous job training programs for welfare clients have suffered from the fact that many of the recipients do not have the necessary educational levels to make them ready for training.

Teen pregnancy begets low educational achievement; low educational achievement begets unemployment and dependency. Even the most motivated welfare recipients face stiff competition in today's labor market without a diploma or GED. Inadequate education also prevents recipients from being competitive for job training opportunities. It is a vicious cycle that only education can break.

Our Learnfare/Welfare-to-Work initiatives target these welfare dependency factors with new weapons.

- First, Learnfare boosts the educational level and job potential of AFDC parents. Those who lack high school diplomas will be required to register in adult basic education or an equivalent high school program. Only those parents with preschool children or special hardships are exempted from this requirement.
- Second, our Welfare-to-work plan offers new job opportunities for AFDC parents through mandatory registration for job skills, job search, job experience and job placement programs. Our plan also offers individually tailored guidance by assigned case managers.
- We will locate job service staff in our welfare offices to provide immediate access. Potential welfare applicants will find their first application is a job application.
- Our initiatives also include a major expansion in day care. This will help AFDC parents get the maximum benefit from the new education and employment opportunities.
- Finally, our initiatives provide a new Community Work Experience program. This program will provide on-the-job work experience to those lacking job histories and those who are unsuccessful in the education, training and job search components of the program.

Learnfare represents a joint long-term investment by society and those most in danger of long-term welfare dependence.

This massive assault on low educational attainment also promises positive spillover effects for the children of welfare recipients. Perhaps for the first time, children of AFDC parents will see the most important people in their lives, their role models, working to further their education. They will benefit from the increased self-esteem of their parents, and recognize the importance of education and the doors of opportunity it can open.

When children bring school work home, parents at least will not be intimidated and at best will be able to participate in their children's educational effort.

Learnfare is the first step in our welfare reform efforts in Missouri. Our companion proposal, Welfare-to-Work, provides a range of employment-oriented training and job experience programs. Graduates of Learnfare and recipients who already have a diploma or GED will engage in activities designed to lead them from dependency to employment and permanent self-reliance.

Our initiative also includes a major new investment in child day care and other support critical to the transition to self-reliance. In addition to "transition" day care for parents just entering employment, the new initiative will provide a stipend to defray participants' transportation and other program-related expenses.

We must remove other barriers to independence and dignity. Its time for government to quit offering help only if working people give up and go on welfare. By expanding Medicaid coverage to low-income families we can prevent the fear of loss of medical benefits and remove an incentive to stay on welfare. We will also strengthen the enforcement of child support obligations and crack down on welfare fraud and abuse.

Our nation's most precious resource is its people. None of us can achieve our full potential until each of us is enabled to take full advantage of opportunities for personal development and productivity. No less than any of us, most people trapped in dependency want better lives for their families and children. We all want our children to recognize their gifts from God, and to make the most of those gifts.

Learnfare and Welfare-to-Work take an aggressive yet compassionate approach to these problems. Most important, they help people to help themselves.

I began my remarks by noting that the current welfare system has spun a web of dependency that drains resources, productivity and human spirit. As the welfare system currently exists, clients face a bewildering maze of bureaucracies that--although intended to help--pose a formidable barrier to employment: day care from one agency, job search from another, education and job training from yet other agencies. The same bureaucratic maze that faces our clients also faces our program administrators.

We must recognize that government--federal, state or local--can only be a partner to other institutions in breaking the web of welfare dependency and building individual opportunity.

National welfare reform proposals must acknowledge the importance of state and community based reform. Those efforts can more successfully adapt to the unique characteristics of the fifty great states of our nation and the hundreds of local communities and neighborhoods. We need your help in changing the current rules of our welfare system that allow for little variation or experimentation. We need federal legislation providing general and system-wide waiver authority. State and local efforts to reduce welfare dependency, such as Missouri's Learnfare/Welfare-to-Work, need this flexibility to make work more rewarding than welfare.

When we were discussing our proposed programs with federal officials, we explored the possibility of requiring mothers with very young children to participate in Learnfare/Welfare-to-Work.

We were told that to do so would require a Research Demonstration waiver. We said fine, how do we do that?

The federal officials responded that another state had already received such a waiver as we were describing, with very good results. Since the topic had already been "researched" we would not be able to secure such a waiver.

We already know that it works, so we can't secure another demonstration waiver--it's already been demonstrated.

Clear, simple rules from Washington will allow more creativity in treating community problems and individual welfare cases.

There are no simple solutions to breaking the web of welfare dependency. The key is to prevent dependency. Education and work leads to increased self-reliance and dignity. Work is always better than welfare because it ennobles people and leads to the direct opposite of dependency--independence and dignity.

Reform requires an investment, but it will be less expensive than perpetuation of welfare dependency. I firmly believe that the people of this nation expect more for their money than merely providing a subsistence to people trapped in dependency. The alternative must be to brush away the web of dependency by removing the barriers to work. Our focus must be education and jobs.

Thank you, Mr. Chairman.

Senator **Moynihan**. Now we will follow our usual practice.

Senator Bradley?

Senator **Bradley**. Thank you very much, Mr. Chairman.

Let me say that occasionally some officials come in and offer their testimony, and it is not, shall I say, "always enlightening," but I have found both of your testimonies exceedingly helpful to the consideration of this committee. I mean that, and I appreciate it very much.

What I would like to do is to give Governor Kean a chance to talk a little bit more about what we are doing in New Jersey in child support, one of the areas that is so very important to the total picture.

You mentioned job training and Medicaid and child care and child support, and you talked about guidelines that you established for child support. Could you share with the committee what the impact of that has been?

Governor **Kean**. Yes. When we have gone back and rechecked again on the kind of child support that should be being provided by fathers, we have been able to double—actually double—the amount of money that we have received.

Senator **Bradley**. You have doubled the amount of money?

Governor **Kean**. Yes, actually doubled.

Senator **Bradley**. Based on simply putting guidelines in as opposed to simply waiting for court orders?

Governor **Kean**. Yes.

Senator **Bradley**. I think there might be a message there, Mr. Chairman.

What about the impact of the review of old AFDC cases? By simply reviewing old AFDC cases, what has the impact of that been?

Governor **Kean**. We went back and looked, working with the courts, at about 1500 cases on a trial basis, and we found that, again, we were able to almost double the obligations and increase collections by about $5 million, just for that sample. So now that is something we want to do on a regular basis, and I think it is something we would recommend you consider now.

Senator **Moynihan**. Would you send us those numbers? We would appreciate that.

[The information follows:]

State of New Jersey
DEPARTMENT OF HUMAN SERVICES
CAPITAL PLACE ONE
222 SOUTH WARREN STREET
TRENTON, NEW JERSEY 08625

DREW ALTMAN, Ph.D.
Commissioner

March 2, 1987

The Honorable Patrick Moynihan, Chairman
Subcommittee on Social Security and
Family Policy
United States Senate
Washington, DC 20510

Dear Senator Moynihan:

Thank you for the interest you expressed in Governor Thomas Kean's testimony regarding the need to strengthen child support enforcement as part of welfare reform. We believe that the recommendations which we made at the February 23 hearing on Work and Welfare would result in enormous savings in welfare expenditures at both the federal and state level and a more decent standard of living for children living in single parent households.

The following summarizes projects we have initiated or plan to initiate in the near future and the need for federal legislation:

1. ESTABLISHMENT OF CHILD SUPPORT GUIDELINES

Last year the New Jersey Supreme Court released guidelines which are based on a concept called "income shares" that allocates the proportion of disposable income that normally would have been spent on the children of an intact family. We anticipate that these guidelines could more than double child support orders in New Jersey. Persons with incomes below the poverty level will not be subject to the guidelines but will be required to pay a nominal amount.

Federal Action Needed

Because of the demonstrated success of this program, we propose that states be required to comply with child support guidelines as a matter of law, held to the irreparable harm standard.

2. UPWARD MODIFICATION OF CHILD SUPPORT PAYMENTS

In July 1985, we conducted a pilot project in one of our counties to determine whether prior child support orders were in compliance with the new child support guidelines. Because we found such enormous discrepancy between the orders and the amount the absent parents should pay, we extended this project to 19 of the 21 counties.

We have reviewed about 1500 cases which has resulted in increasing child support orders from $2.2 million to $4.9 million, a 130 percent increase. This represents only about three percent of the 50,000 absent parents with children on welfare who we estimate have incomes below the guidelines. About 26.3 percent of the AFDC cases were closed due to the increase in the child support collections.

Furthermore, we have found that, contrary to popular belief, most of the obligors have incomes high enough to pay their fair share of child support. A review of 650 cases in seven counties found that the average annual gross salary of the obligor was $20,266. Also, virtually all of the cases had health insurance which possibly could be available to the children.

Federal Action Needed

We propose that states be required to modify child support orders on a regular basis in compliance with specific income guidelines. States should be permitted to do this administratively rather than through the courts. This would reduce administrative costs and increase the number of cases which can be processed.

3. PRIORITIZATION OF CHILD SUPPORT CASES

Currently, federal law requires that we treat all child support cases the same. However, we would like to give priority to those cases in which the custodial parent is participating in REACH.

Under the current system, if a welfare client accepts a job at or slightly above the minimum wage, this individual will suffer a substantial loss in AFDC payments and Medicaid coverage. This results in a disincentive to accept training or entry-level employment. If we were permitted to target our enforcement efforts toward the absent parent in those cases, we could increase the welfare client's total income and assuage her fear that wages from a job would not be sufficient to compensate her for lost welfare benefits.

Federal Action Needed

The Secretary should be granted clear authority to grant waivers to states that want to target their child support enforcement resources towards cases which will reduce welfare dependency.

4. IMMEDIATE INCOME WITHHOLDING

As part of our welfare reform initiative, we will request state legislation which will result in automatic immediate wage withholding in child support cases at the time the order is issued. The current federal requirement is that wages are withheld when the obligor is 30 days in arrears. The requirement in New Jersey is 14 days, yet we have found that this more stringent standard is also inadequate.

The reason is that by the time we locate the employer, find the obligor, notify him and wait for a response and the exhaustion of all of his administrative appeals, it is months before the wages are actually withheld. During that period we estimate that about $20 million is lost in New Jersey in child support payments. Furthermore, this estimate applies only to AFDC cases. If non-AFDC cases were included, the impact would be even greater.

It is clear that the current system is not working. It is costly, ineffective, and unfair to the child who is denied the basic necessities of life for months at a time. Furthermore, the current system reinforces the attitude that wage withholding is a stigma which it should not be.

Federal Action Needed

While we plan to initiate this change in New Jersey our success will be limited because 30 percent of all absent fathers owing child support reside in other states. This is an interstate issue which can only be fully addressed at the national level. The federal government should require that wage withholding be automatic for all adjudicated cases at the time an order is entered without the need for presumption of default.

5. SPECIAL PROJECTS TO REDUCE WELFARE DEPENDENCY AMONG TEENAGE PARENTS

The Department has been awarded $1.9 million from the Office of Family Assistance for a program to reduce long term welfare dependency among teenage parents in Camden and Newark. An innovative component of the program will be that teenage fathers will also be required to participate in job training or attend school in order to receive other welfare benefits such as AFDC, food stamps or general assistance. This should result in increasing child support collections.

Federal Action Needed

> States should be permitted to make special efforts to enroll fathers in AFDC or food stamp employment and training programs when the custodial parent and child are also on public assistance.

In conclusion, in order to assist New Jersey and other states to obtain the support children are entitled to, we ask that states be required to comply with child support guidelines as a matter of law; be permitted to modify child support orders administratively to reflect increased earnings of the obligor; be granted the flexibility to prioritize cases to reduce welfare dependency; and that all states be required to withhold wages at the time an order is entered.

Please let me know if I can provide any further assistance.

Sincerely,

Drew Altman, Ph.D.
Commissioner

DA:17

Senator **Bradley**. And on immediate wage withholding for the AFDC noncustodial parent, the impact of that? Would you suggest we do that or that we would allow you to do that?

Governor **Kean**. Yes. We estimate that we will increase our collections, just with that step, and even with the problem of delinquent fathers in other states, by about 20 percent, or $11 million in the first year. So, that is an important step, too.

Senator **Bradley**. What occurs to me is that you are really going after the very difficult part of the welfare population, which is so important. You are not just skimming off the top, but you are really saying that if New Jersey has a booming economy, which we have, and if it can be done anywhere, it ought to be done in our state, because the jobs are there, the demographic trends are there, and the commitment of a state government working with a federal government might actually make an impact on that problem.

Governor **Kean**. A great impact, I believe.

Senator **Bradley**. Mr. Chairman, thank you.

And again, I would like to thank both of the witnesses.

Senator **Moynihan**. Indeed.

Governor Ashcroft, would you like to have your associate come to the witness table so we can welcome him?

And you are Mr.——?

Mr. **Stangler**. Gary Stangler.

Senator **Moynihan**. How do you do, Mr. Stangler. Good afternoon.

Senator Danforth?

Senator **Danforth**. Mr. Chairman, thank you very much. I share the comments of Senator Bradley; I think that this has been very interesting and informative testimony by both governors. I also think, Mr. Chairman, it is further evidence that we don't have a monopoly on good ideas in Washington, that there are plenty of people out there that——

Senator **Moynihan**. We were getting pretty close to a monopoly on bad ideas. [Laughter.]

Senator **Danforth**. That is very possible.

Senator **Moynihan**. We seem to have a corner on that market.

Senator **Danforth**. But I think, to hear some of the innovative thoughts of people who have been working in the states on these matters is really very, very exciting.

Governor Ashcroft, I take it that you are not here to ask us to spend a lot of money; you are here to ask us to let you do your thing. Is that right? What you want is flexibility, what you want is the ability to put your program in place. Is your program in place now, or are there some barriers that we have somehow created at the federal level?

Governor **Ashcroft**. Well, as I indicated, we would like for our program to be in place for families with children who are under six years of age. Right now, we asked for a waiver, and someone else had already done successful research saying six years wasn't logical and that it would work under six years; but, since that has been done, we couldn't do it.

We do need the flexibility. We are not asking you to spend more money. Ideally, I think Governor Kean and I are asking you to spend less money, to join with us in an investment that should help us spend less money. And we do need the flexibility and clarity.

One of the problems is that so many of the welfare services cut across the lines of a wide range of agencies, so we do have a problem with regulations. Unfortunately, I am not as conversant with all of those problems as I ought to be, but they tend to hamstring our efforts.

So, any move toward flexibility for us to make these experiments will be helpful.

In the first year we are starting this program, we have a $9-million or so fiscal note. We are going to be using some of the federal funds available to us now. It will cover about $3 million of the program. It will take about $6 million of state revenue. And I believe there is at least an equal payback for every one we move off welfare, so that the Federal Government's investment in what we are doing here really is less than the states, but its return will be equal to or greater than the states'.

What we are asking for here is greater flexibility and clarity and opportunity. We are kind of asking for opportunity so that we can promote a different kind of opportunity among the people.

I want to make one other point, and that is about the concept of who we are dealing with. I think Senator Bradley very carefully noted, that when you are down to 3.6 percent unemployment like you are in New Jersey, you are dealing with long-term hard people to get off the rolls; it is not a process of skimming or of "creaming" as they say.

And my program is a required program. You have to, in order to maintain benefit, improve yourself educationally if you haven't attained the skills. It would be pretty easy to develop a program which said it was voluntary, and just take the people who were highly motivated and were going to do it anyhow, and the people who do not constitute a part of a long-term welfare problem. I think when you require activity and require participation by recipients, when you get down into that group of individuals who tend to stay on welfare, the people who are on there for multiple numbers of years and have a one in twenty chance under the current system of ever getting off, and you begin to ask them to participate, I think that is fundamental.

Senator DANFORTH. Just one other question: In providing additional flexibility, is this something that we could do generically? I mean, do we just pass a bill which in effect says the states have more flexibility? Or is the quest for flexibility something that is pursued on an ad hoc basis? Is it part of the problem of dealing with the Federal Government that all the time barriers to your discretion crop up, or instead, is it something that is the nature of the welfare program as currently drafted, and something that we could fix by inserting the appropriate language in specific legislation?

Governor ASHCROFT. There has been a report to the President that recommends a system-wide waiver that would give a great deal of flexibility.

You may be able to comment on that more intelligently than I, Gary.

Mr. STANGLER. Senator, what the domestic policy report to the President suggested was system-wide waivers. At the local level, recipients get daycare from one agency, job training from another agency, adult education from another agency. And in the current system we can give waivers in categorical programs, and I would think that the idea of a system-wide waiver may indeed have merit to be considered in the legislation you are describing.

Governor KEAN. Senator, to also answer that, we need to be able to get waivers independent of the research area—because the research area is limited. We have run into exactly the same problems that Governor Ashcroft ran into. All of us do. In other words, if we had the flexibility to seek waivers not just for research but for solid programs, I think it would be helpful for all of the states.

Senator DANFORTH. And that can be done generically? That can be done by general language in a bill?

Governor KEAN. Yes, I believe so.

Senator DANFORTH. Thank you, Mr. Chairman.

Senator MOYNIHAN. Could I say that I was with Mr. Hobbs Friday evening. He said, I guess on McNeil-Lehrer that the President's proposal is going to come up to this committee, and we are going to welcome it, and we welcome him.

I hear you both, and it has just been a long succession of men of equal stature in our country saying that we have a moment of opportunity here—don't we? This is the one thing in the country where maybe nobody is mad at anybody anymore. [Laughter.]

I mean, we are trying to work this thing together.

It is tough. Let me just say that we had Mayor Holland who came down from Trenton to testify on behalf of the Conference of Mayors—brilliant testimony, a fine mayor. But there you are, sir, with the second highest per capita income in the country, and an unemployment rate which even 20 years ago was thought to be low—you know, 3.6 percent is full employment. And yet a quarter of the population in your state capital is on welfare—a quarter of the population, in Trenton.

And you, sir, come from the Great State of Missouri, as Senator Danforth has taught me to say. That brings to mind Lee Rainwater's great studies of Pruitt-Igoe which were done at Washington University in the 1960's. Pruitt-Igoe won a nationwide award for design excellence, and so forth and so on, but it was all destroyed when the Housing Authority couldn't control the vandalism and violence that plagued the project. In the end, the only thing they could do with what was thought to be one of the best housing projects in the world was, as Governor Ashcroft said, dynamite it. That was the only thing they could think to do.

Senator DANFORTH. I believe we are dynamiting another one this week, aren't we, in Kansas City?

Governor ASHCROFT. Speak for yourself. [Laughter.]

You are not going to get me to say I am dynamiting housing. [Laughter.]

Senator BRADLEY. I understand Senator Danforth would like to submit a statement to the record concerning dynamiting. [Laughter.]

Senator MOYNIHAN. Yes. We will leave the record open for a week in case there is some unexplained explosion in the Western part of Missouri. [Laughter.]

Could I just say—and thanking you very much, both of you—that I heard three things. I heard the idea of contracts, the idea that there is an exchange of obligations, that citizens have them and society has them towards citizens. Mr. Mead over there has taught us something.

I hear you talk about—the word "targeting" is not the best term, but that there are particular persons who you can recognize as being very much at risk in this system, whereas others aren't, really, if at all. And there will be a certain number of persons for whom AFDC is a form of income replacement, just as unemployment insurance is, and then something happens with a divorce and separation, and people get their lives back together. But there are some people who walk in your door, and you know they are candidates for a lot of trouble—aren't they?—and their children. And you want to be careful with them.

I also hear child support. You both think there is a problem. You know, our system of welfare began as a widow's pension, back when women were expected to stay at home. Well, it can't work in a world in which less than 5 percent of the recipients of AFDC are widows. There is a paradox. There is another paradox there, when he or sometimes she has earnings.

You might be interested in the fact that in Indianapolis they are taking some of those very young people, the young males, and they say, "All right, we are going to introduce you to the pleasures of manhood, and you are going to pay, say, $12.50 a month. Get started." You know? We'll say, "Begin paying now, because you are going to be 30 some day, and your child is still going to be a minor, and you are going to be making adult wages."

Can I ask you one more question before you leave? The WIN program—I want both of my colleagues to hear this—it's funding is due to expire in June. You wouldn't want to see that happen, would you? Mr. Stangler and Mr. Altman, join in.

Mr. **Stangler**. Absolutely not, Senator. What we want to do will require a WIN demonstration waiver to implement Learnfare.

Senator **Moynihan**. A WIN demonstration waiver wouldn't help you very much if there was no WIN.

Mr. **Stangler**. That is right.

Senator **Moynihan**. I think you have logic on your side.

Mr. **Stangler**. Thank you, Senator.

Senator **Moynihan**. And Mr. Altman?

Mr. **Altman**. I think that is right. I think the really important principle is that, as the Federal Government shares in the savings, it should share in the investment necessary to produce those savings, whether through WIN or in some other way.

Senator **Moynihan**. Well, we are facing a deadline here, and possibly we can use this to further the purposes of getting ourselves some general legislation as well as specific legislation on this matter.

Senator **Danforth**. Thank you, Mr. Chairman.

Senator **Moynihan**. Governors, you probably have 50 places where you are supposed to be, and the President is probably waiting for you. You couldn't have been kinder, and we very much appreciate your testimony. And thank you, Mr. Stangler, and thank you, Mr. Altman.

Can I say to our guests here that we are not finished. We are almost finished, but Senator Larson is here.

Senator Larson, you have made it here from Connecticut, and we appreciate it. We heard earlier from your associate Art Agnos from California.

I really must ask that we have quiet in our committeeroom so that we can hear our guest.

Senator, we welcome you. We know it was a hell of an experience getting here, but you made it.

STATEMENT OF THE HONORABLE JOHN LARSON, PRESIDENT, CONNECTICUT STATE SENATE, ACCOMPANIED BY FREDRICA GRAY, EXECUTIVE DIRECTOR, PERMANENT COMMISSION ON THE STATUS OF WOMEN, AND CECILIA J. WOODS, LEGISLATIVE AND RESEARCH DIRECTOR, SENATE DEMOCRATIC OFFICE, STATE OF CONNECTICUT

Senator **Larson**. It was a harrowing flight, Mr. Chairman.

But certainly, Chairman Moynihan and members of the committee, it is an honor to testify before the Subcommittee on Social Security and Family Policy. I am certainly grateful to Joy Wilson of the National Conference of State Legislators for providing your committee with testimony, and to your staff, Senator, for the attention they have given my staff in preparing for today's hearing.

Senator **Moynihan**. That is very thoughtful of you.

Senator **Larson**. For the record, I am John Larson. I am the President Pro Tem of the Connecticut State Senate, and accompanying me here today and sitting directly behind me are Frederica Gray from the Permanent Commission on the Status of Women and Cecilia Woods, the chief analyst and Research Director for the Senate Democratic Office, State of Connecticut.

Senator **Moynihan**. Ms. Gray, and Ms. Woods, if you would like to join us up here, we would like to have you do that.

Senator **Larson**. We would like to have them up here, Senator; they have been dying to meet you and of course be conversant with you, but they are a little shy, and I am glad that you brought them up here.

Senator **Moynihan**. We welcome you, ladies.

Senator **Larson**. I would like to compliment you, Senator, for the comprehensive nature of the work you are undertaking in your inquiring into welfare reform or replacement.

Commissioner Heinz from our Department of Income Maintenance in the State of Connecticut has attested to a holistic approach in concern for the family in this committee, and, Mr. Chairman, I would be less than honest if I didn't indicate to you that "Family and Nation" has provided much in the way of intellectual underpinnings for a program of work that we have embarked on in the State of Connecticut.

We in the State of Connecticut have introduced a comprehensive program entitled "The Future of Connecticut Families, Balancing Home and Work," and our goal is to establish a comprehensive program that nurtures our primary institution—the family. The family, by the way, is an institution whose deterioration has been noted by this committee. We know, of course, that as a nation we have no national policy that is directed at the family; in fact, we are alone in the Western Democracies of this world in that circumstance, that unfortunate circumstance.

This gives added emphasis, in my mind, to the need for a policy in the area of work and welfare that we have been asked to comment on here today. It also exposes the broader interrelated concerns which, if neglected, will further weaken the American family.

Let me focus, then, on work and welfare from a state legislator's perspective. Certainly in the State of Connecticut we are not unique and share several similarities in dealing with poverty on both a structural and cyclical basis with many other of our fellow states.

I think, in considering the following from the State of Connecticut, and listening to the Governors, we are the wealthiest state in per capita income in the United States, and yet we have three of the poorest cities in this country. Seventy-eight percent of our poor are women and children. Ninety-four thousand children are living at or below the poverty level in our state. One child in seven under the age of six is impoverished in the State of Connecticut.

I know Commissioner Heinz has talked about the national situation where one in four children is impoverished. Without a comprehensive policy, we feel very strongly that we are forsaking our future.

It used to be, in the 1950's, that 70 percent of all families conformed to the model of the working husband and the woman staying at home to rear the children, what we called the "Father Knows Best" model or the "Ozzie and Harriet" model. It is not quite clear what Ozzie did for a job, but that is the model that we have referred to frequently in testimony.

In 1986, we have seen this figure drop below 7 percent. Families are in transition; dual households are the rule not the exception; single-parent households are increasing; and in Connecticut, 40 percent of all families maintained by women live below the poverty level.

Senator MOYNIHAN. In the state with the highest per capita income.

Senator LARSON. In the state with the highest per capita income!

In establishing a public policy, interrelated needs require collaborative attention by both the state and the Federal Government, which includes a decent job—the real ticket out of welfare—child care and nutrition and medical care that is associated with rearing children, job retraining, transportation, and affordable housing.

A work and welfare agenda that is incentive-oriented, that fosters dignity and integrity, can form the cornerstone of a federal policy that buttresses the family.

In our family and workplace program in the State of Connecticut, we have emphasized the importance of economic self-sufficiency and supportive service. This is a direct means of addressing the welfare-to-work problem that is not a quick fix and requires substantive counseling and continuing education.

Economic self-sufficiency creates esteem and value associated with having a viable job, and it serves to foster dignity within the recipient; particularly, Senator, when we are looking at the structurally poor, we recognize this importance.

To achieve this, we advocate that, aside from its funding of programs that encourage incentives to get off of welfare, that the states have the continued flexibility as was outlined by the Governors to create and devise their own programs; for, what works in Hartford may not necessarily work in Hackensack, with all due respect to Senator Bradley and the good Governor who preceded me.

In Connecticut, for example, we have two incentive programs. One has been in existence over the past year, and the other one we seek to create. One is a pilot program on supportive work that we want to expand to some of our poorer cities. It targets welfare recipients and aids and supports them by funding unsubsidized employment.

We have a Women's Employment and Education pilot program that places increased emphasis on job development, job matching, and places AFDC women in permanent jobs in the private sector, a model that we adopted from your State of New York, Senator.

The results of the data we have received have been encouraging. In our supportive work model, we saw a 22 percent increase in the number of recipients who entered permanent unsubsidized employment, and the Women's Employment and Education pilot, again, modeled after the New York program, boasts an 85-90 percent retention basis for people who are employed in private sector jobs.

Economic self-sufficiency in our minds also means a commitment to close the gap as it relates to pay equity, to increase the minimum wage, and to service the displaced homemaker, the underemployed, the underskilled, the disabled, and the working poor. Economic self-sufficiency can only be accomplished with supportive services, which include adequate child care, medical and nutritional needs, continuing ed, jobs training, remediation for the undereducated and the underskilled, not to mention, as I have in the past, both transportation and housing needs.

In our program, we have sought to increase rates for purchase of service for daycare for AFDC mothers. In the States of Connecticut, where the cost of daycare on average was $70 a week, we were providing AFDC recipients with a $45-stipend. Obviously that is not an incentive for a working parent who is concerned about rearing their child to get off the welfare rolls and into employment and be assured that their child is receiving adequate care.

We have expanded the creation of tax incentives for the private sector, so that business can become more directly involved through tax breaks in terms of offering a childcare center. And for smaller businesses we have sought out consortiums, to form consortiums, on their behalf with outreach work done by the State of Connecticut, to encourage programs for the smaller private sectors.

In conclusion, Senator—and I thank you for allowing me to summarize—the nation needs a national policy that addresses the concerns of all families, or we certainly will be forsaking our country's future.

"Work and Welfare" and the policy that will be formed by this subcommittee will play an integral part of that national policy and should apply, in our mind, again, to an incentive that is flexible and provides states with varying models. Models that indicate the kinds of initiatives that states across this nation have taken, and perhaps ideas also that have come forward from Washington that instill and foster dignity, so that, particularly, the structural and generational and attitudinal problems that are inherent with the impoverished can be addressed, with the understanding of the need for self worth and self esteem.

Lastly, Senator, to avoid past failures, programs of this nature need integrity. Senator, something that you emphasized in your book "Family and Nation" and something I feel very strongly about, is the need, when we are putting forth creative ideas and programs that are addressing our welfare concerns, that we have the evaluative tools necessary to measure the worth of those programs and to indicate whether or not they are efficiently run and are effective on behalf of their recipients. Without this, I think that we as states are not going to be accountable to the Federal Government when we ask for funds or to the taxpayers who ultimately pay the bill.

I thank you for your time before the committee, and I will answer any questions you may have.

Senator MOYNIHAN. Thank you, Mr. President, and I am sorry the committee as a body is gone, as they were very slow in arriving.

On that last point, Art Agnos, Assemblyman Agnos, who was to speak with you this morning, described this program in California, GAIN. They have engaged the Manpower Demonstration Research Corporation, MDRC—I am sure you know them—to monitor what goes on. You know, "You come in, and watch how we do this." They are studying now 9 counties, and by 1990 they mean to be statewide, and they are going to keep themselves honest.

The great point there is, when you don't have real records, anyone can come along and say anything about you, and you can't dispute it. I mean, we have been going through a sort of time in this town for the past five years in which the reigning doctrine is that you have problems because you tried to do something about them.

Senator LARSON. Well, I believe you tried or attempted to create an Office of Legislative Evaluation that ultimately became the function of the GAO, and it was the good Senator Abraham Ribicoff from my State of Connecticut that initiated that.

But I feel there is very definitely a need on the state level, not only in matters of welfare and work but also in other critical areas of initiating legislation, that we have these kinds of evaluative tools before us.

Senator MOYNIHAN. I am going to have to close off now, because we have a full committee hearing at 2:30, and they have to sort of straighten this room out; otherwise, they will abolish our subcommittee. [Laughter.]

But I wanted to make just two points. Your highest per capita income in the country and perhaps in the world is in three to four cities. And Governor Kean came in with the second highest per capita income, and a fourth of the population in his capital is on welfare.

Senator LARSON. Their employment is a little bit better.

Senator **Moynihan**. Yes. But note this—note this—young children in Connecticut are twice as likely as adults to live in poverty.

Senator **Larson**. That's right.

Senator **Moynihan**. One in 15 adults, and one in seven children under the age of six. Is this the way we are heading? This pattern is everywhere—you find it with variations in the mountains, the proposition that you are twice as likely to be poor if you are a child than if you are the average adult. It is the first time in our history where the poorest in our population are the children. History isn't going to let us get away with this.

One other question: You have a family agenda of some 30 bills, you say?

Senator **Larson**. Yes, we do.

Senator **Moynihan**. Would you please send them to us?

Senator **Larson**. Yes, Senator. And we would like dearly at some point—and I know your busy schedule—to have you come to Connecticut. Certainly your voice matters on programs of this urgency. We would like to think Connecticut is going to be on the leading edge of establishing a comprehensive family policy, and to have someone of your stature come to our state to speak on behalf of that would be an outstanding boost to our program.

Senator **Moynihan**. I accept. And thank you very much, and Ms. Gray and Ms. Woods. Thank you for joining us.

We will call this fourth of our five hearings completed.

[Senator Larson's written prepared testimony follows:]

"Work and Welfare"
Testimony of Senator John Larson
President Pro Tempore
Connecticut General Assembly
Before the Committee on Finance,
Subcommittee on Social Security
and Family Policy

February 23, 1987

I am very honored to be here today to testify on work and welfare from a state legislator's perspective and to represent the National Conference of State Legislatures. I congratulate Senator Moynihan and other members of the Subcommittee on Social Security and Family Policy for their foresight in attempting to frame a national policy that will address not only work and welfare but many of the other interrelated concerns which are contributing to the deterioration of the American family.

I am Senator John Larson, President Pro Tempore of the Connecticut State Senate. While I represent East Hartford, East Windsor, South Windsor and Ellington, the issues I have been focusing on are not indigenous to my communities or even to the state of Connecticut. I have been working for six months with lawmakers and other experts representing many areas of family concern to develop a package to examine as fully as possible the new priorities of the changing family unit. We are convinced that state government efforts must be redirected to ensure that our dollars (and those of our federal government) are serving the needs of today's family.

While we have been concentrating on promoting a new family agenda for the state of Connecticut, I believe that these issues have national significance and can be useful in structuring a national model to combat poverty and strengthen the family.

It is really distressing to note that we are the only Western democracy that does not have a national policy that focuses on the needs of the family.

We need a federal policy that will buttress the family and one that can be incorporated into our national fiber both financially and philosophically. We must start supporting programs that benefit and uplift the family as a unit. Our vision for the future of this nation must actively account for the concerns of family and we must put forward public policy that nurtures this primary institution. Without concern for our families, we will be unable to sustain a productive climate for the nation's future and in turn our economic and social environments will continue to deteriorate.

In Connecticut I have introduced a new family agenda, which will require passage of more than 30 bills to enact completely. This is a first-time effort to assess and address a complete and balanced range of family issues including day care, parental-medical leave, accessibility to health care services, housing and job training and placement. This program's impact spans several legislative committees and state agencies.

I know that you are aware of the remarkable trends in our country. With more children than ever being raised in households steered by one working parent or by one parent on AFDC, we have a responsibility to rethink and reshape family services. While you are addressing the plight of the welfare recipient, you know that there are millions of women who comprise the working poor and are often in and out of the welfare system. Even in a rich state like Connecticut we find that children are really suffering. "Young children in Connecticut are twice as likely as adults to live in poverty. One in 15 adults in our state lives below the poverty level. One in seven children under six lives below the poverty level" according to Growing Up At Risk In Connecticut, A Collaborative Project of The Connecticut Association for Human Services and The Junior League of Hartford. This signals that we may be sacrificing our children's well-being and future generations may not be even as well off as we have been.

While we may not agree on all of the reasons why women and children find themselves in poverty, we can certainly concur that day care should be an integral part of a national policy on the family as should employment and training. We all know that American society has been forced to redefine what constitutes a family -- and that is not yet clear. We have learned that families come in a variety of forms and that these families should be strengthened, supported and valued equally. But one thing that is clear is that children who grow up in a stressful environment, with inadequate nurturing and attention, will not have a very bright future. In Connecticut alone, 40% of the teenage inmates in the Connecticut Department of Corrections have not received more than a ninth grade education. Kids need to get a good start. And one way to insure that kids get a good start is to establish a national policy that reflects a commitment to strengthen our working families.

As you know, we in Connecticut are very fortunate to have had Commissioner Stephen Heintz from the Department of Income Maintenance serve as Chair of the Matter of Commitment Steering Committee of the American Public Welfare Association and National Council of State Human Service Administrators (a joint policy development project). Since he has already testified before your Subcommittee, I will not reiterate those points which he addressed. However, in order to understand some of the components of our family agenda, I would like to summarize briefly what we have been doing in Connecticut in the work and welfare area.

In Connecticut we have recognized that mere "quick placement" into low paying, dead-end jobs is not productive for many AFDC recipients. Transitional supports are essential. Basic education, job training, counseling, child care and transportation are prerequisites for placement in good jobs with real chances for advancement and good benefits.

We are concentrating on your theme, "Work and Welfare". Connecticut instituted its 'Job Connection' in October, 1985, under WIN-demonstration authority. The first year of operation saw a 22 percent increase in the number of recipients who entered permanent unsubsidized employment. The number participating in education and training programs more than doubled from the previous year.

Connecticut's Job Connection places emphasis on adequate and supportive job preparation. Welfare recipients can improve basic skills, receive the equivalent of a high school diploma, or enroll in a community or state technical college. The state also offers supported work grant diversion model programs. Participants in the supported work program receive wages, instead of AFDC payments, counseling, skill sharpening, and temporary placement in a private job -- a job which becomes permanent after a successful transitional period of about 5 months. Retention is high. In this situation everyone wins. The state wins as another AFDC recipient becomes self-sufficient; the employer wins, having gained an employee who has proven his or her skill - and the participant wins freedom from poverty and dependency on the state.

In our family agenda legislative package, we have a section devoted to economic self-sufficiency -- an area we feel is critical for self-esteem. The stability of our nation's families is affected in large measure by their ability to achieve and maintain economic self-sufficiency. We want to provide adequate mechanisms to enable poor families to reach this goal. In this philosophical context, we have focused on education, job training, pay equity and equality of opportunity. The emphasis is on job development, employment re-entry and welfare-to-work programs.

We hope to expand our supported work model. This model targets welfare recipients and aids these people in finding and maintaining unsubsidized employment. We have two such programs already in existence -- one in Hartford/New Britain, the other in Bridgeport (a state enterprise zone). We hope to establish this supported work pilot as a permanent program and to establish two more sites. The per participant cost for this program is estimated to be $2,000+.

We also plan to incorporate a new Women's Employment and Education Pilot Program into our family agenda. This pilot program is based upon a successful New York City program. We hope to place major emphasis on job development and job matching to place AFDC women in permanent jobs. We plan to give significant attention to extensive follow-up and support services. This program to date has boasted an 85-90% retention rate one year after placement. The long term benefit is that AFDC mothers will be able to become self-supporting and financially independent and that the state AFDC costs will decrease accordingly. Spending monies on welfare-to work programs should be viewed as an investment because employment is the only way out of poverty.

In Connecticut we are firmly committed to pay equity. In 1979, the General Assembly funded a pilot study to research pay equity in state service jobs. The results of the study revealed widespread pay disparities in 250 state classified positions. In 1981, legislation was enacted to mandate all 2600 classified be compared by "objective job evaluation". To date, the process has shown a 17-20% wage gap between jobs held predominantly by men and jobs held predominantly by women. Four million dollars was appropriated last year to begin to correct the wage inequities. Our proposals for this year is to appropriate an additonal $10 million dollars for FY '87-88 to be used to implement pay equity in State service jobs. We know this is a way to help the working poor, many of whom are female, and most regrettably, are unsupported heads of households.

We have also set a priority to provide services to displaced homemakers, underemployed and disabled persons. Many working parents, both men and women (and we are as concerned with men as your subcommittee is) are struggling in positions that are low-paying and offer little benefits or career advancement. Connecticut wants to educate and retrain these adult citizens. We plan to establish another pilot program in the Department of Labor wherein incentive grants would be awarded to community agencies in each Congressional district. These programs would provide post-secondary adult, basic education, supportive services, training and placement to serve displaced homemaker, underemployed and disabled populations. We hope to spend $1 million dollars in our state for this effort.

We recognize (and other states should also) the need to train women for non-traditional jobs that are career-oriented and more lucrative than the low-paying dead-end occupations in which women are traditionally found. These women can, and should be trained for skilled craft and technical occupations including electrical, painting, plumbing, electronics, drafting and other non-traditional fields. These efforts should include apprenticeships and specialized training through vocational technical schools and technical colleges. One such project in Connecticut, Women Working Technical, is about to get underway at Hartford State Technical College. Other projects have trained women to become cable television installers (Hartford College for Women) and to help women enter construction fields (Bridgeport YWCA).

Finally, we are all aware of some of the excellent benefits of the Head Start program for children. We want to catch those parents who didn't get a head start. We envision a head start for parents in the adult education arena. There is substantial evidence which indicates that a large number of single parents face a wide range of barriers preventing them from entering the labor force and becoming self-sufficient. Key among the barriers faced by single parents are insufficient academic and coping skills. In recognition of the special needs of this population group, a proposed link between our State Department of Adult Education, the Bureau of Adult Education and Head Start should be established to address the particular needs of undereducated single parents in areas where there is a need for education. Many Head Start parents are recipients of public assistance. We would connect with Head Start in order to provide a system of Competency Based Adult Education (including assessment, education and career counseling, life and parenting skills, basic education, referral to employment and job placement programs, etc.) This would be done in a strongly coordinated manner with the Head Start program for children. Funding for this program would not be extensive ($200,000) but I am confident that the success of the program will ultimately justify the financial underwriting.

Again, on behalf of the Senate of the State of Connecticut, I applaud your Subcommittee's efforts. While the New York Times has quoted Senator Moynihan as saying, "unless we move beyond welfare, we can now assume that some one-third of children being born today will be on AFDC before reaching maturity", I know that you have hope. We do not want that to happen and it is obvious that this Subcommittee is committed to find ways to solve this national dilemma because you are devoting your precious time and energy to a problem that really affects us all, even if we are not poor and have never been on welfare.

Since I have been an educator and an insurance agent, I can relate to both the economic and human concerns associated with welfare reform/replacement. While I represent a wealthy state, we have three of the nation's poorest cities and I want to see these cities and their people thrive and grow.

In conclusion, I want to address the family living standard that

Commissioner Heintz outlined in his recent report. American families need an economic floor to stand on, a level of living beneath which we as a society will not permit them to fall. This is our responsibility as the wealthiest nation on earth and while we will no doubt encounter controversy as we struggle to arrive at a consensus on how this will be achieved, we must agree at least that a standard must be set. I agree that support services must be in place to prepare individuals to move to self-sufficiency and to take advantage of a comprehensive social policy, such as the family living standard.

The Connecticut family agenda will attempt to hold up the family until we replace or modify our existing system. Doubtless, there will be increased debate over a family living standard as there was in the early seventies. However, we do need to establish a cash assistance plan for families and eliminate the morass of welfare programs that often do not promote dignity, encourage people to work or provide a subsistence wage. We should also consider increasing the minimum wage. I believe that there will be public support to bring a family income up to a minimum standard of living, if parental support payments and earnings still leave a family with insufficient resources and in poverty.

I believe that a family living standard should reflect the basic living costs in a specific geographic area. It has been proposed that families with children will receive cash assistance in the form of a family living standard supplement based on the difference between the standard and a family's income, including wages, child support and any other stipend including housing assistance. Since I know that this Subcommittee is well-versed in this concept, I will conclude my remarks by stating that I feel this policy has considerable merit and will most probably be advantageous in the long run to both federal and state governments.

Again, I thank you for your kindness in allowing me to address this Subcommittee. We are optimistic in Connecticut. We have had some successes and we are fortunate to be involved in commenting on the future of federal policy. We share your concerns for the less fortunate who have hopes and dreams like the rest of us. Helping people is the most important thing those of us who serve in the State Capitol are charged to do. Typically, many of the issues I have addressed in my family and the workplace package have traditionally been brought to the Legislature in a piece-meal fashion. I believe that our families deserve a more thoughtful approach -- an approach that takes into account currently existing services offered by state agencies and adjusts them to address existing concerns. I believe you are doing this in a comprehensive way on the federal level and I applaud your efforts. "...Many of the things we need can wait. The child cannot..." (Adapted from a poem by Gabriela Mistral.)

[Whereupon, at 1:51 p.m., the hearings were recessed.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATEMENT BY
THE AMERICAN JEWISH COMMITTEE
ON
"WELFARE: REFORM OR REPLACEMENT"

SUBMITTED TO
THE SUBCOMMITTEE ON SOCIAL SECURITY AND
FAMILY POLICY OF THE
UNITED STATES SENATE COMMITTEE ON FINANCE

The American Jewish Committee is very pleased to have the opportunity to testify on the critical national policy issue of welfare. We applaud your efforts, Sen. Moynihan, and those of your colleagues to solicit a variety of views on how to remedy the inadequacies of our existing welfare system.

The AJC strongly believes that such Congressional attention to this issue is long overdue. We are encouraged that the kind of bi-partisan cooperation on possible policy approaches needed to forge change appears to be emerging both within the Congress and among interested groups. The AJC is deeply committed to playing an active role in the public education and advocacy process that will be needed to bring about welfare reform.

The recommendations that we will offer today are rooted in AJC's Statement on Economic Policy and the Poor, adopted at AJC's 1986 Annual Meeting. That statement is the culmination of a year-long study process undertaken by a special Task Force on Social Policy. The Task Force met in a number of cities around the country, heard expert testimony from a variety of perspectives, commissioned background papers on both public policy issues and Jewish teachings and tradition on social policy, and formulated the position statement ultimately adopted by AJC as the basis for our ongoing work. The policy statement and background papers have compiled into a publication, The Poor Among Us: Jewish Tradition and Social Policy, that has been widely circulated to all members of Congress and to individuals and groups concerned about the issue.

We undertook this effort for several important reasons. First, as an organization dedicated to promoting economic and social justice, AJC believes that the nation must vigorously attack the problem of poverty. Census Bureau data indicate that poverty remains close to its highest level in two decades, despite a slight drop in 1985. A disproportionate number of the poor continue to be minorities or those who live in female-headed households. And perhaps most troubling is that nearly one-fourth of the nation's children under six now live in poverty.

Second, we have been concerned about the polarization of the debate over social policy--a polarization that has paralyzed consensus building around constructive policy approaches. We hope that the principles and guidelines AJC has arrived at can help break that impasse.

Third, we believe that religious teachings have a special role to play in advancing attention to social policy issues. Like the important discussion sparked by the Catholic Bishops' pastoral letter, AJC's The Poor Among Us is intended not only to stimulate awareness within the Jewish community, but also to contribute to the national debate on social policy.

Several guiding principles shape the AJC's approach to formulating social policy. We would like to touch on those principles briefly before discussing their specific application to welfare reform and the criteria that we believe ought to be applied to any proposed legislative initiatives.

Approaches to social policy must balance the fundamental American principles of communal responsibility to provide for others and individual responsibility to provide for oneself. To successfully balance the dynamic tension between these principles, approaches must stress both the proper role of government in providing adequate support for those who cannot support themselves, and the need for individuals who can support themselves to attain economic self-sufficiency.

Other basic principles that AJC espouses are the need to examine costs and benefits of specific programs, the need to recognize that the poverty population is diverse, the need to identify appropriate roles for state and local governments and mediating institutions, and the need to evaluate the efficacy of all social policy programs.

Finally, other principles emerged through our study of Jewish values in dealing with economic need. Jewish tradition stresses preventative approaches, including employment and training; the responsibility of each person and the larger community to aid the poor; the responsibility of the able poor to strive for economic-self-sufficiency; the responsibility of the community to provide generously for those who cannot support themselves, and the need for pragmatic rather than ideological approaches to social policy.

How then, do these principles apply to our views on welfare reform? We start from the premise that the federal government must take primary responsibility for welfare programs, and that those programs must be made more adequate. Benefit levels should be brought closer to the poverty line and should be made more equitable and consistent across state lines. The current patchwork quilt of benefits is simply unfair. While some states provide much more generous assistance than others, most provide levels at far below the poverty line. Moreover, the real value of A.F.D.C. fell more than 30% in the median state between 1970 and 1985. Another long-overdue reform is mandated coverage of intact families in which both parents are unemployed. Such families currently are eligible in only about half the states. Failure to provide such coverage is a disincentive to maintaining families--a goal that should underline all social policy.

AJC further recommends that one means of achieving more equitable benefit levels in a period of diminished resources would be through a transfer of greater responsibility to the federal government in exchange for states' assumption of a greater share of other programs, such as road maintenance, waste water treatment and smaller social services.

While much attention is appropriately being given to job and training programs that would move recipients out of welfare dependency, it is simultaneously important to stress that many welfare recipients--

the elderly, disabled, mothers with infant children--will be unable or should not be expected to work. Still others will need a longer transition period to move successfully out of welfare and onto employment. This may be especially true for recipients in long-term dependency who may never have held a job, may lack basic skills or may have other intractable problems. Thus it is critical that, as attention shifts to employment and training programs, attention to the pressing need for adequate benefit levels must not be neglected.

The AJC fully supports mandatory or voluntary training and employment program for A.F.D.C. recipients who can work, in order to assist them in achieving economic self-sufficiency. Much creative initiative already has been demonstrated by the states in this area, including programs such as Massachusetts ET, California's GAIN, and Jew Jersey's REACH, a new program recently announced by Gov. Thomas Kean. The National Governors' Association just recently has endorsed an approach calling for mandatory, state-designed employment and training programs for recipients, combined with binding contractual agreements between the government and client. Clearly such a comprehensive program cannot be funded by the states alone and would require additional federal fiscal resources either through a substantial increase in the Work Incentive Program, which has financed many of the state welfare-to-work programs, or through new legislative initiatives. One bill that warrants attention is S.514, introduced by Sen. Kennedy, which would authorize bonuses to states that succeed in training long-term welfare recipients and finding them jobs.

AJC does not support one type of approach, mandatory or voluntary, over the other, but rather suggests that flexibility is warranted. We are hopeful that disagreements among those who argue that work programs must be mandatory, and those who argue that mandatory programs are inherently punitive will not derail a consensus on the widely-shared goal of promoting economic self-sufficiency. There are some signs that this may be achievable. As important component of the governors' plan is the concept of a mutually binding contractual agreement in which the government agrees to provide vital support services and the client agrees to strive for self sufficiency. This concept of a mutual contractual agreement also has been emphasized in two key sets of recently-released policy recommendations, One Child in four, the American Public Welfare Association's recommendations on dealing with families and children at risk, and A New Social Contract, the report of Gov. Cuomo's Task Force on Poverty and Welfare.

The role of support services is absolutely critical to the potential success of programs geared to moving welfare recipients into employment. AJC strongly supports the provision of needed services that would enable single heads of household--most of whom are women--to care for their children. Employment and training opportunities hold out little incentive to an A.F.D.C. recipient who has no child care. Similarly, the loss of Medicaid benefits may place a head of household who moves from welfare into a low-paying job without health benefits in more dire economic straits than she previously faced. Therefore, AJC is pleased that the governors' plan places an emphasis on government provision of transitional child care, medical insurance and other support services as part of its proposed package. On the other hand, we are disappointed that the governors have agreed to drop their proposal for a national minimum benefit level in exchange for Administration support. We believe that Congress must deal both with jobs and benefit levels in order to achieve meaningful welfare reform.

While AJC advocates that primary responsibility for welfare should rest at the federal level, we also believe that specific non-cash programs such as job training and child care should, where feasible, be operated at the local level. Mediating institutions that are based in the community, such as churches, neighborhood organizations, ethnic groups and businesses, should be utilized to put in place the infrastructure needed to make welfare-to-work programs viable.

Any discussion of welfare must, as we have indicated, take into account the diversity of the welfare population. Data from the University of Michigan's Institute for Social Research indicate that while many individuals at some point experienced short-term poverty, relatively few experienced long-term need. Most of those mired in long-term poverty (62%) were Black; and most (61%) live in female-headed households.

Similarly, the A.F.D.C. population is more fluid thant the stereotype often automatically associated with it. Many A.F.D.C. recipients suffer only short-term dependency. Over half of all recipients move off the roles within two years; only 16% of recipients remain on welfare for eight years or more.

Based on the long-term multi-state evaluations carried out by the Manpower Research Demonstration Corporation, we know something about the potential efficacy of work programs for A.F.D.C. recipients. For one thing, the programs made the most difference among women who otherwise were likely to be on welfare the longest--those, for example, who had never previously held a job. The program evaluations also indicated that increased pressure to move recipients off the rolls may not necessarily accomplish more. Therefore, in fashioning and evaluating welfare to work programs, it will be critical to scrutinize those programs carefully. Many short-term recipients may be able to move off welfare on their own. Others, for whom assistance will be at once more difficult, more expensive and more important, will pose more of a challenge. Again, AJC reiterates that work requirements are not a panacea. Without simultaneously providing both flexibility and the infrastructure of support services needed to make work and training programs viable, they cannot work effectively.

Finally, the AJC believes that the federal government must also focus on those family policy issues that have direct relevance to welfare. Currently AJC is undertaking a comprehensive study of family policy, through a special Task Force that is examining the role of both communal institutions and government policy in maintaining and strengthening families. Ultimately the Task Force will be formulating a policy statement complementary to AJC's social policy statement.

One area that AJC is studying is child support enforcement. We believe that existing child support requirements should be more vigorously enforced. But such requirements will have a minimal impact on increasing the economic security of children whose absent fathers are themselves poor or unemployed. Therefore we believe that careful consideration should be given to innovative programs such as the experimental child support enforcement program being implemented in Wisconsin. Similar recommendations that would treat children essentially as beneficiaries entitled to a guaranteed minimum support level rather than stigmatizing them as welfare recipients also have been set fort in the recommendations of the American Public Welfare Association and Gov. Cuomo's Task Force on Poverty and Welfare.

Another area of concern for us is teen-age pregnancy. The statistics on the number of teen-age mothers are alarming. Teen mothers are more likely than others to drop out of school, become dependent on welfare, and to have difficulties escaping out of poverty.

Studies comparing the U.S. with other developed countries indicate that the higher rate of pregnancy in the U.S. is not related to a difference in the level of sexual activity, but rather to differences in societal attitudes and policies regarding sex education and the availability of contraception. Clearly these are important components in reducing the epidemic of teen-age pregnancy. Improving the self-esteem and skills of teen-agers is an equally important part of a preventative strategy, as is more successful integration of our nation's youth into the American family system. We believe that preventative strategies that slight the complex but important issue of values will be inadequate to the task of reducing teen-age pregnancy.

Finally, when teen-age girls do have babies, then it is critical to encourage them to complete their education.

Addressing all of the problems associated with teen-age pregnancy will require cooperative efforts by government, educational systems and communal institutions.

To conclude our testimony, we would like to state the criteria that AJC has arrived at as a basis for assessing proposals aimed at alleviating social need. We believe that these criteria are directly relevant to the deliberations about social programs that you are undertaking.

-- Do they provide those who need assistance with adequate resources to meet their basic needs?

- Do they have features that work toward the prevention of poverty as well as toward short-term relief?
- Do they encourage those who can work to assume self-support through programs such as job training, employment services and quality child care?
- Do they integrate the support networks of community, family and neighborhood sufficiently into their programs?
- Are they adequately attuned to the appropriate roles that should be played by the Federal government, state and local authorities, private agencies and business?
- Do they expend public dollars in the most efficient and effective way to achieve desired results?
- Are provisions for continuous evaluation built into program implementation?
- Do they respond adequately to the needs of specific populations in poverty, such as the elderly, single-parents, children, mentally ill and people able to work?
- Do the programs emphasize as much as possible feelings of self-worth and dignity among the poor?
- Do they in general, embody the core values of social and individual responsibility that must inform all of our efforts on social policy?

Finally, as critical and pressing as the problem of welfare reform is, we also urge you to place it in the context of broad social policy problems -- our troubling national poverty and unemployment rates. Studies show that, while poverty among female-headed households persists as a serious concern, the working poor currently constitute the fastest growing segment of the poor. A report of the Congressional Joint Economic Committee reported that high unemployment and falling wages were the factors most responsible for the seven million increase in the poor since 1979. We should not lose sight of the need to respond to the full range of the nation's poverty population and problems. The economic dislocation faced by many Americans, including displaced workers from ailing smokestack industries and families in the nation's farm belt, must be addressed.

While the apparent consensus developing around the need for welfare reform is welcome and encouraging, there is no reason to assume easy or early agreement on the specifics of any meaningful programs. There is nothing really new in the now off-repeated principle of helping welfare recipients get off the welfare rolls and on to American payrolls, preferable private industry payrolls.

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February 25, 1987

U.S. Senate
Committee on Finance
Washington, DC 20510-6200

RE: Child Support Comments as described in Press Release H-16 concerning Subcommittee on Social Security Hearings: "Welfare: Reform or Replacement"

Mr. Chairman, Members of the Senate Finance Committee:

This statement is submitted on behalf of the California Family Support Council, the progessional organization in California for those responsible for performing the duties set forth in Title IV-D of the Social Security Act. The purpose of this correspondence is, first, to address the budget proposal in the 1987 budget concerning reduction of Federal funding for support enforcement; second, to suggest improvements within the present system and alternatives as to funding; and, finally, to offer a word of caution on "welfare reform" and support enforcement alternatives discussed in the press.

I

OPPOSITION TO HHS' CHILD SUPPORT ENFORCEMENT PROPOSALS

A. Reduction in Federal Financial Participation

The Family Support Council opposes the accelerated reduction in Federal financial participation to 66 percent two years ahead of schedule. The proposals put in effect in 1984 are still being reviewed and sifted. The reduction of FFP in an orderly manner was negotiated with the Federal Government and incorporated in long-range local planning. Suddenly, changing the rules of the game, as this proposal will do, will disrupt long-range plans. It will also discourage further local and State involvement in the program because Federal commitments will now appear unreliable. Thus, undertaking to give effect to the 1984 Amendments will be delayed in any situation where there must be a cash outlay. The funding reduction that came with the 1984 amendments and Gramm-Rudman-Hollings was a bargained for arrangement. This proposal appears to be a breach of that agreement.

B. Using a cost/collection ratio as a basis for denying State's incentive funds.

This proposal is an even greater breach of faith than accelerated reduction of FFP. First, although the proposal is stated in terms of relating cost of enforcement of welfare-related support to collections of welfare -related support, in fact we were advised by Mr. Stanton on February 17, 1987 that is not how it would be calculated. Rather, it would be total cost, including non-welfare cost, to welfare collections.

This use of this ratio in this manner relates inappropriate costs to collections. At the very least, it should be confined to welfare collection costs, not total costs. To avoid confusion concerning Congressional intent, if this proposal is taken seriously legislation should be explicit on this matter. As Mr. Stanton has interpreted the proposal, 29 states would be denied incentives.

However, even if this language were used, we would still oppose the proposal. The ratio concerns itself only with welfare budget savings. It undercuts the intent of Congress to extend the program to non-welfare cases. Further, it suggests that paternity cases and orders for small amounts be given short shrift. Ultimately, it will increase the IV-A caseload because these cases will not receive adequate IV-D assistance in getting and staying off AFDC. Census statistics show that 39% of women who do not receive child support are on AFDC, but only 13% of those who do receive support are on AFDC.

This, in turn, demonstrates the irrelevance of this ratio for any meaningful purpose. It does not incorporate a cost avoidance factor. Further, it invariably will be cost ineffective. This is because it will cause the program to stop short of its most effective point, that is where the last dollar invested earns more for the public in the program than it would in some passive investment.

If you accept this HHS proposal, you will undo the good done by the 1984 amendments. Even if you accept accelerated reduction of FFP, this should be rejected, not only because of the social good done by paternity proof and non-welfare enforcement, but because backing away from these program aspects would result in a long-term economic loss to the public from increased IV-A costs.

C. Periodic modification of support orders.

It is strongly recommended that this proposal be viewed with caution, if not rejected outright, at least as to non-welfare cases. While so many support cases are welfare related and, therefore, demonstrate a public aspect in modification proceedings, a significant number have no such relationship when it comes to modification. To mandate that public agencies must move to modify some movie star's child support order is to invite adverse press comment concerning the use of public funds. It also is inconsistent with HHS's funding cuts described above, and with Gramm-Rudman-Hollings. Getting a support order is obviously important to the public. Modifying such orders should be viewed more cautiously.

II

PROGRAM IMPROVEMENTS

A. Drop excessive regulation.

Present program regulations are excessive and badly drafted. They should be reduced, rewritten, and submitted to a broader consultative forum than is now being used.

The recently published regulations concerning interstate cases is one example. While grants established to explore this problem have not even been fully allocated, and funded projects not yet completed, HHS is attempting to force a revamping of this whole program on all the states. These regulations demand that all cases go through the state capitol rather than directly to the county or region where they will be litigated. By creating a central clearing house in every state, a new and costly layer of bureaucracy is being introduced at the same time funds are being cut. There are detailed requirements about contacting the custodial parent. Involvement with the custodial parent is important, but the contacts required of responding jurisdictions with these parents are excessive. They will not speed up the process, just raise the cost. Finally, it is our understanding that legal forms for this type of case have been recently standardized. These will meet the bulk of the objectives of these regulations. Certainly forms are a lot cheaper than a whole new level of welfare department bureaucrats at the state capitol.

The worst example of over-regulation is expedited process. What the Sacramento County, California judiciary thinks of these regulations is demonstrated by the enclosed letter to John Dougherty, District Attorney. That some of the regulations were legally unnecessary if not ultra vires is demonstrated by the enclosed ABA House of Delegates Report. The failure of these regulations to adequately provide for judicial action to ensure full faith and appropriate criminal and quasi-criminal sentences has left a void in the program. Expediting has been measured by time limits in these regulations. But commencement of the time limits at "filing" rather than at service of process has created an irrelevant criteria for measurement of judicial speed. And there are numerous other problems. HHS has argued that its exemption process (to escape this burden) meets these concerns, but it is threatening to use this exemption process in a punitive manner. According to HHS Region IX representatives, it will require continuing quarterly reports on 100% of the appropriate cases from exempt counties. No such report will be required from counties that spend the added $350,000 to hire an expedited process hearing official.

Income withholding regulations are similarly badly drafted. These are not clear on the impact of the Consumer Credit Protection Act. Further, they appear to deny the obligor the power to challenge jurisdiction in interstate transfers.

The original regulations for Title IV-D were drafted in 1975 by a group of knowledgeable attorneys drawn from all levels of government. That cooperation is what made the first three years of the program so effective. That spirit of cooperation and infusion of knowledge should be restored to the regulatory process.

B. Reporting requirements and methods of evaluation should be restructured.

Federal reporting requirements have caused turmoil at the local level with little discernible advancement of the program. It was never intended that these requirements divert funds and staff from program objectives. However, because the Federal Government has discouraged the use of random sampling to meet these requirements, except as a temporary expedient, this is what is happening. Random sampling should be permitted permanently to cut costs.

The misuse of cost-to-collection ratios as a measure of cost effectiveness is discussed above. Rather, the marginal dollar concept should be used in calculating that sum. Also, in computing savings, cost avoidance should be added. Because of its social purpose, all paternity costs should be excluded from such costs.

Finally, HHS should be cautioned to avoid publishing misleading numerical data. Such conduct causes needless confusion and conflict. As an example, enclosed is a table published by HHS comparing California's collections on welfare cases with its total grants. The unadjusted ratio placed California 47th. As a result, unfair publicity such as that enclosed required staff time and a diversion of resources for a response. When the data was adjusted to account for grant size, as is shown by the enclosed report by the Department of Social Services, California was right at the national average. This report demonstrates that, although California is only 10% of the population, it collects 14% of the nation's child support and, although only 5% larger than the next largest state, it has 60% more cases. HHS's failure to give credit where credit is due has had a demoralizing effect on child support personnel in California. The program would be improved greatly if a spirit of cooperation could be restored.

C. Keep funding constant.

The negative psychological impact on budgetary staff at the State and local levels, caused by repeated attempts to cut funding, is discussed above. Suffice to say that the continuous changes have drastically reduced our ability to add to the program.

D. In the alternative, improve funding structure.

1. In computing incentive eligibility, paternity costs should be dropped from the total. The long-term social good of this activity cannot be measured in short-term dollars. Keeping these costs in a collection-related ratio discourages full implementation of this program aspect.

2. Drop the "cap" on the non-welfare side of the incentive structure based on welfare collections. To collect non-welfare incentives means keeping cases on welfare. Because this encourages IV-A costs needlessly, this wastes Federal funds. Dropping this cap should be a powerful incentive to reduce the IV-A caseload.

E. Stop loading the program with new requirements while cutting funding.

At the California Family Support Council meeting this month, HHS encouraged the IV-D agency to advertise on billboards for new non-welfare cases. The Administration appears to want to modify all orders through IV-D. Medical insurance enforcement is now a program requirement. None of this can be done with less money. Not all of it is really necessary.

F. Alter the IV-A program to increase the public share.

1. First, drop the $50.00 disregard. It has produced neither greater cooperation from custodial parents nor more payments from obligors. It has produced costly changes in accounting systems, diversion of resources to deal with unfounded complaints from custodial parents and welfare rights groups, and an exacerbation of the Federal budget deficit. It may also be producing increased welfare fraud since it encourages payment outside the system.

2. Second, alter the statutes that required a supplemental payment of child support to meet requirements of the 1975 legislation. Recently published regulations (Federal Register, Vol. 51, No. 158, 8/15/86, p. 29223) requires that such sums be forwarded from collected child support to families in certain states. In those states, support enforcement "profits" will be illusory. Since these regulations also require payment of the $50.00 disregard, the fiscal savings under the program are being severely diminished.

3. Third, for tax intercept purposes, adopt at the Federal level the California community property rule that makes the total sum refunded from a joint tax return totally available to repay child support. The present "1040X" system creates confusion and rewards the obligor's family for holding out sums often desperately needed by the custodial parent. If a second spouse has an independent income and feels aggrieved by this, that spouse may increase his or her exemptions and reduce withholding. The present system has resulted in distributions having to be reclaimed from needy custodial parents and costly "backing out" of such sums from public treasuries. While in California this has only been used in interstate cases, it can only be imagined what a nightmare must have occurred in states where local law sanctions this practice.

G. Reinstate and reinvigorate the separation of IV-A and IV-D.

The budget proposal referred to above reintroduces the concern that IV-A interests are overshadowing IV-D responsibilities at the Federal level. Relating total funding solely to IV-A collections means ignoring non-welfare cases. Further, the enclosed HHS article relating states' performance to IV-A grant recovery reenforces that concern. The original Title IV-D talked in terms of a single and separate agency. A narrow definition of governmental efficiency unfortunately appears to have sacrificed the independence of the IV-D program and introduced at least the appearance of a conflict of interest. Congress should call for a restoration of the original program independence.

III

COMMENTS ON WELFARE REFORM

Recent proposals in the popular press discuss merging child support collections with AFDC into some form of income system for separated and divorced families. While such programs appear simple and efficient on the surface, I believe there should be a word of caution. The salary deduction process that this would entail is not necessarily automatic. It involves acknowledgment by the obligor of his duty to pay. Failure to do so must be followed up on, and may be more difficult under such a fusion of responsibility than it is now. The present system did not develop because any responsible person wanted it that way. But the individual tailoring of support orders to each person's circumstances and goals was necessary. The continued "probationary" supervision of obligors has proven to be the best way to collect such sums. The proposal in question is similar to one that in years past emanated from the University of Wisconsin. Yet not even the State of Wisconsin has enacted this proposal in total although authorized to do so by the 1984 amendments (PL 98-378). Before such a proposal becomes Federal law, it is recommended that this Committee, in a most critical manner, ask of Wisconsin, Why?

Respectfully yours,

Michael E. Barber

Michael E. Barber
Government Liaison
California Family Support Council

MEB:sm

Enc.

Superior Court of the State of California
COUNTY OF SACRAMENTO
SACRAMENTO CALIFORNIA 95814
Rodney Davis, Judge

December 12, 1986

John Dougherty
District Attorney
Sacramento County
901 G Street
Sacramento, CA 95814

Dear John:

We are taking this opportunity to call to your attention the significant accomplishment your Domestic Relations Department achieved in meeting the federal time limits imposed for "expedited child support actions" during the filing period May 1, 1986 to July 31, 1986. This effort required an attention to detail and a commitment to professionalism of which you can be justly proud. Through the Domestic Relations Department's successful efforts, Sacramento County will not be compelled by the federal government to implement a costly and inefficient administrative hearing procedure.

Yours very truly,

RODNEY DAVIS
Judge of the Superior Court

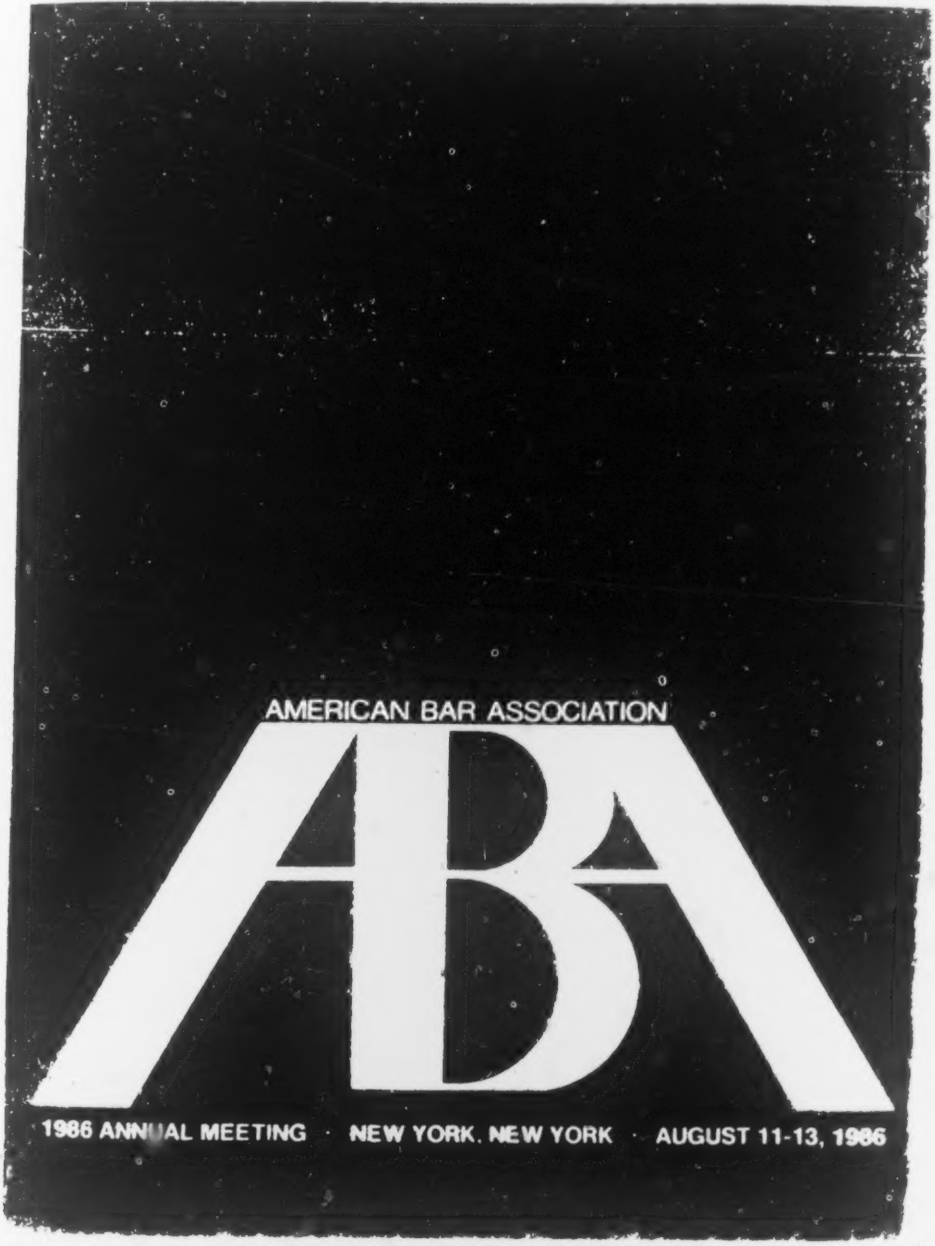
ANTHONY DeCRISTOFORO
Judge of the Superior Court

Ronald B. Robie

RONALD ROBIE
Judge of the Superior Court

RD/lb
cc: Hon. Eugene T. Gualco
Mike Barber
Carol White
[illegible] Cannon

summary of action of the house of delegates



AMERICAN BAR ASSOCIATION

1986 ANNUAL MEETING · NEW YORK, NEW YORK · AUGUST 11-13, 1986

Family Law (Report No. 303)

The Section's recommendation was approved by voice vote. It reads:

> *Be It Resolved,* That the American Bar Association urges the Secretary of the Department of Health and Human Services to rescind that portion of the regulations implementing expedited processes pursuant to Public Law 98-378 which precludes the States from using "a judge of the court" and to clarify that States may establish an expedited process using judges as presiding officers.

Individual Rights and Responsibilities (Reports No. 114A, 114B, 114C, 114D, 115, 116A and 116B)

The Section's first recommendation (Report No. 114A) concerning access to records maintained by the National Crime Information Center was withdrawn by the proponents.

The Section's second recommendation (Report No. 114B), cosponsored by the Law Student Division, was approved by voice vote. It reads:

> *Be It Resolved,* That the American Bar Association recommends enactment of federal legislation that would:
>
> 1) amend the federal wiretap law, Title III of the Omnibus Crime and Safe Streets Act of 1968, 18 U.S.C. Section 2510 *et. seq.*, (hereinafter Title III) to protect the transmission of all forms of information including voice, data, and video;
>
> 2) eliminate the distinction contained in Title III between common carrier and non-common carrier electronic communication systems where the system is designed to carry private communications not readily accessible to the public;
>
> 3) create statutory exceptions from the prohibition on interception for communications carried in whole or in part on public access systems such as ham radio, CB radio, ship-to-shore, and emergency band radio;
>
> 4) require the government to obtain a search warrant before gaining access to private messages stored in the computers of an electronic mail or messaging system including access to messages stored only for transmission backup purposes;
>
> 5) grant standing to the user of an electronic mail or messaging system to contest the lawfulness of the release of the user's messages to the government;
>
> 6) amend federal criminal law to prohibit unauthorized access to computers of electronic mail or messaging systems;
>
> 7) create federal privacy protection against the unauthorized disclosure of communications contained in an electronic mail or messaging system; and
>
> 8) establish a framework modeled after the Right to Financial Privacy Act to govern government access to customer-controlled information contained in the computers of remote data processing service organizations.

United States General Accounting Office

GAO Testimony

For Release
on Delivery
Expected at
10:00 a.m. EST
Monday
February 23, 1987

Current AFDC Work Programs and Implications for Federal Policy

Statement of
Joseph F. Delfico, Senior
Associate Director
Human Resources Division

Before the
Subcommittee on Social Security
and Family Policy
Committee on Finance
United States Senate

GAO/T-HRD-87-2

We appreciate the opportunity to testify before this committee on work programs for AFDC recipients. Our testimony focuses on our nationwide study of employment-related programs run by state welfare agencies, which we conducted at the request of Representative Ted Weiss of New York. Our results and conclusions are described more extensively in our January 29, 1987 report, Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy (GAO/HRD-87-34), which we believe is the most comprehensive source of national data on these programs to date. Today, I would like to focus on some of our most important findings and their implications for future work/welfare programs, but first let me describe the source of our data.

Our review focused on the optional new work programs authorized in 1981 and 1982. Most important in terms of funding and participation were WIN Demonstrations. They are a modified version of the WIN program operated by state welfare agencies. Two of the best known work programs--Massachusetts' ET and California's GAIN--are WIN Demonstrations. The other programs we studied were Community Work Experience Programs, called "CWEPs," in which welfare recipients are required to "work off" their grants; employment search programs; and work supplementation or grant diversion programs, in which AFDC grants are diverted to employers to subsidize jobs or on the job training. These four types of programs were operating in 38 states during 1985. We did not examine regular WIN programs.

Through a mail questionnaire, we collected fiscal year 1985 data on all of the 61 programs in the four categories I have mentioned that were operating in that year. The programs we surveyed ranged from major state initiatives, such as ET in Massachusetts, to small demonstration projects, such as projects in South Carolina and Ohio to train AFDC recipients as home day care providers. To get more in-depth information than that provided by our questionnaire, we visited programs in 12 states, selected for their diversity.

The experiences of the current programs have a number of implications that the Congress should consider in developing a new program to replace WIN and the other work/welfare programs. I will briefly describe our most important findings and their implications for policy.

PARTICIPANTS AND SERVICES

First, concerning participation, current AFDC work programs are serving a minority of the AFDC caseload. In WIN Demonstration states, where our survey included all the work programs serving AFDC recipients, we estimated that these programs reached about 22 percent of all the adults who were on AFDC during fiscal year 1985. Moreover, an unknown proportion of the people counted as participants received no services other than an orientation or assessment.

Unfortunately, the people being left out of the work programs include many who might have the greatest need for the services and could yield the greatest savings to the welfare system. For example, of the 50 programs with registration or participation requirements, only 14 required women with children under 6 years old to register or participate. While some programs encourage these women to participate as volunteers, others have neither the capacity nor the child care funds necessary to serve them. Yet, research shows that young, unmarried women who enter AFDC when their children are less than 3 years old are the group at greatest risk of spending at least ten years on AFDC. Delaying a woman's exposure to the labor market until her youngest child turns 6 may decrease potential welfare savings and put her at a disadvantage in the labor market because of her years on public assistance and lack of recent work experience.

Another group that may be underserved by the work programs are welfare recipients who need education, training or support services before they are considered ready for jobs. Although there is little usable data on the characteristics of work program participants, we observed that some programs exclude people with multiple or severe barriers to employment such as poor reading skills, attitudinal problems, medical problems, or child care and transportation needs. Like women with young children, people with low levels of education and work experience are at risk of becoming long-term AFDC recipients. Yet, research shows that they benefit most from employment and training programs. Thus, serving them could produce the greatest benefits in the long run.

Although they are only serving a minority of adult AFDC recipients, states appear to be spreading their resources thinly to serve as many people as possible rather than providing more intensive--and expensive--services to fewer people. While WIN Demonstrations were intended to be comprehensive programs providing a range of services including training and education, the predominant service provided is job search assistance, a relatively inexpensive service designed to place participants in jobs immediately, rather than improve their skills first.

Lack of resources is a major reason for the emphasis on job search assistance: three-fourths of the WIN Demonstrations spent less than $600 per participant. As a result, many programs must rely on other sources, such as the Job Training Partnership Act (JTPA) and local education systems, to serve participants who need education and training. But these programs may themselves be unable to serve all eligible AFDC recipients. A recent study of JTPA showed that service providers often selected those eligibles who were most job-ready and rejected those with low levels of education or experience.[1]

To participate in work programs, AFDC recipients often need support services, such as child care, transportation, or counseling on personal problems. However, work programs spend little money on these services. While almost all programs offered child care assistance to their participants, half spent less than $34 per participant for this purpose. The programs depended instead on other sources, such as state and Social Services Block Grant funds. However, as in the case of training and education, these sources are often insufficient to meet the needs of the eligible population. For example, program staff told us that shortages of state subsidized child care slots were a major problem. As a result, program staff reported that they had to exempt some people who were in need of child care, transportation, or other support services that the programs could not provide.

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[1] Gary Walker, Hilary Feldstein, and Katherine Solow, An Independent Sector Assessment of the Job Training Partnership Act (Grinker, Walker and Associates, 1985).

Overall, our findings about participation, activities, and support services suggest that work programs are excluding the people who need the most help--in terms of child care, education, or training--before they are ready to go to work. Yet, serving these people could produce the highest long-run payoffs. While it would involve higher short-term costs, it is also likely to yield greater long-term savings.

These findings have several implications for policy. Requiring states to serve a fixed proportion of their caseload, with limited funds, may discourage the provision of more intensive services. It would exacerbate the current tendency to spread funds thinly over large numbers of people by providing low-cost services that do little to enhance employability. This may well be helping the AFDC recipients who are likely to find jobs on their own rather than those who will be unable to find work without intensive help.

The Congress might want to consider encouraging or requiring states to give priority to AFDC recipients who are harder to employ because of low levels of education or work experience. Increasing the participation of women with children under 6 is also a worthwhile goal in terms of reducing AFDC rolls, but whether these women should be required to participate or simply encouraged to volunteer is a difficult question in light of concerns about adequate care for the children and conflicting opinions about the value of mothers staying home with their children. Some programs have succeeded in serving this population. For example, no AFDC recipients are exempt from Oklahoma's Employment and Training Program (called E&T) based on the age of their children. In 1985, parents of children under 6 were 70 percent of E&T registrants and 68 percent of those who found employment.

Concerning funding, serving AFDC recipients who need more intensive services or support will require either increasing overall work/welfare funding or expanding or retargeting other programs, such as JTPA and the Social Services Block Grant, to enable them to serve more welfare recipients. Providing federal matching funds for job search and work experience and not for education and training, as has been proposed, could discourage states from providing these services.

PROGRAM RESULTS

The Manpower Demonstration Research Corporation (MDRC) found that AFDC work programs in four of five states it studied had modest positive effects on their participants, raising their employment rates by 3 to 7 percentage points. Data from our survey of 61 programs show that most participants were placed in low-wage jobs, with a median hourly wage of $4.14. In half the programs, fewer than 48 percent of the participants left AFDC after finding work, although their AFDC grant amounts were lowered. This is due to the low-wage and/or part-time nature of the jobs found.

The modesty of the results may be related to the tendency of programs to provide low-cost services that do not enhance employability in higher-wage and/or full-time positions. The programs' impacts may also be limited by the difficulty of making the transition to work for AFDC recipients, whose earnings may not make up for decreased AFDC, Food Stamp, and Medicaid benefits and increased child care, transportation, and other work expenses. Some states, such as Massachusetts and New York, do continue child care assistance for 9 months or a year after a welfare recipient is placed in a job. Also, since these programs do not create new jobs, they depend on the ability of the local economy to provide them.

Program success is often measured in terms of placement rates. Yet, this measure is not sensitive to the ability of the job to sustain a family off the AFDC rolls for the long term, or to the differing economic conditions and participant characteristics facing different programs.

The information we have on program effects has several implications for work/welfare policy. First, the positive results are promising, but the modesty of these effects cautions against unrealistic expectations about their effect on the welfare rolls. However, it might be possible to produce better long-term results by strategies mentioned earlier, such as increasing the intensity of services or serving more recipients who are harder to employ. Program results could also be improved by providing continued assistance with child care, transportation, and health care for program participants who are placed in jobs.

There are also implications regarding the measurement of success. Developing more sophisticated measures of performance than are currently used, including interim progress in achieving skills or quality of the jobs found, would aid in program assessment and could encourage serving the hard-to-employ or providing intensive services. Caution should be used before developing performance standards to reward or penalize states, to ensure that the standards are sophisticated enough to reflect differences in local conditions and clienteles served.

ADMINISTRATIVE ISSUES

The current AFDC work programs are a patchwork of administrative responsibilities and funding. The regular WIN program continues to be administered jointly by the Department of Labor and the Department of Health and Human Services (HHS) and, at the state level, by the welfare and employment security agencies. The WIN Demonstrations and the other three work programs, however, are administered solely by HHS and state welfare agencies. At the state level, this administrative division can result in duplication and inefficiency, impeding development of coherent work programs. The new requirement to establish Food Stamp work programs means that states must follow still another set of regulations and reporting requirements.

The different work program options also receive disparate rates of federal financial participation. The federal government provides 90 percent of the funding for WIN (including WIN Demonstrations) up to a state's maximum allocation. The CWEP, job search, and work supplementation options receive 50 percent matching grants, which are not capped. Thus, by adopting one of these latter work programs, a state can supplement its cappped WIN funds with uncapped funds. This may lead to an emphasis on activities allowable under these authorities, such as CWEP and job search. Between 1981 and 1987, WIN funds declined by 70 percent, limiting the resources available for the more intensive types of services--education and training.

We found that individual programs displayed a great variety in their dependence on federal funding: for example, the proportion of federal funding in WIN Demonstrations ranged from 42 to 96 percent, with half receiving less than 80 percent. The variation reflects states' differing degrees of commitment and ability to support their work programs beyond the amount they are required to contribute.

Our findings on administration and funding have several implications. The multiplicity of program options allows states to tailor their programs to their own local needs and to be creative in trying different approaches. Flexibility does not, however, necessarily require multiple program authorizations. Authorizing one program that permits a range of services would give the states flexibility to meet their local needs and help resolve the division of administrative responsibility.

Providing stable federal funding with a uniform matching rate for all options would help states plan their programs and emphasize the services they believe are most appropriate. A number of different federal matching rates have been proposed for a new welfare employment program. Our results suggest that while some states would maintain their work program efforts if the federal matching rate were lower than the current 90 percent for WIN, others that are currently very dependent on federal funding might cut back their programs.

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In concluding this testimony, it is important to mention that aggregate data can obscure the innovation and dynamism that is evident in many programs. On our visits we saw many examples of this: the welfare office in Bangor, Maine, which keeps a closet of clothes for program participants to wear to interviews; the high-level official in New York City's welfare department, who personally negotiates with other agencies to create jobs for AFDC recipients; and the cooperative relationship between Michigan's welfare and education agencies, which results in one-third of its WIN Demonstration participants being placed in educational programs.

That concludes my prepared statement; we would be pleased to answer any questions you may have.

○